

Nation's Business

A USEFUL LOOK AHEAD

APRIL 1961

Welfare push sparks

new union strategy

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Taxes and spending can be cut PAGE 31

How to be an effective executive PAGE 34

\$40 billion market beckons U.S. goods PAGE 38

Are you a perfectionist? PAGE 68



Kentile "Architectural Series" Vinyl Asbestos Tile in Groton White, Granville Taupe, Ludlow Umber and Essex Black. Accenting Feature Strips and Numeral Insert in Solid Vinyl. Black Wall Base is Vinyl KenCove®.

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Nation's Business

April 1961 Vol. 49 No. 4

Published by the Chamber of Commerce of the United States
Washington, D.C.

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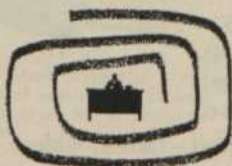
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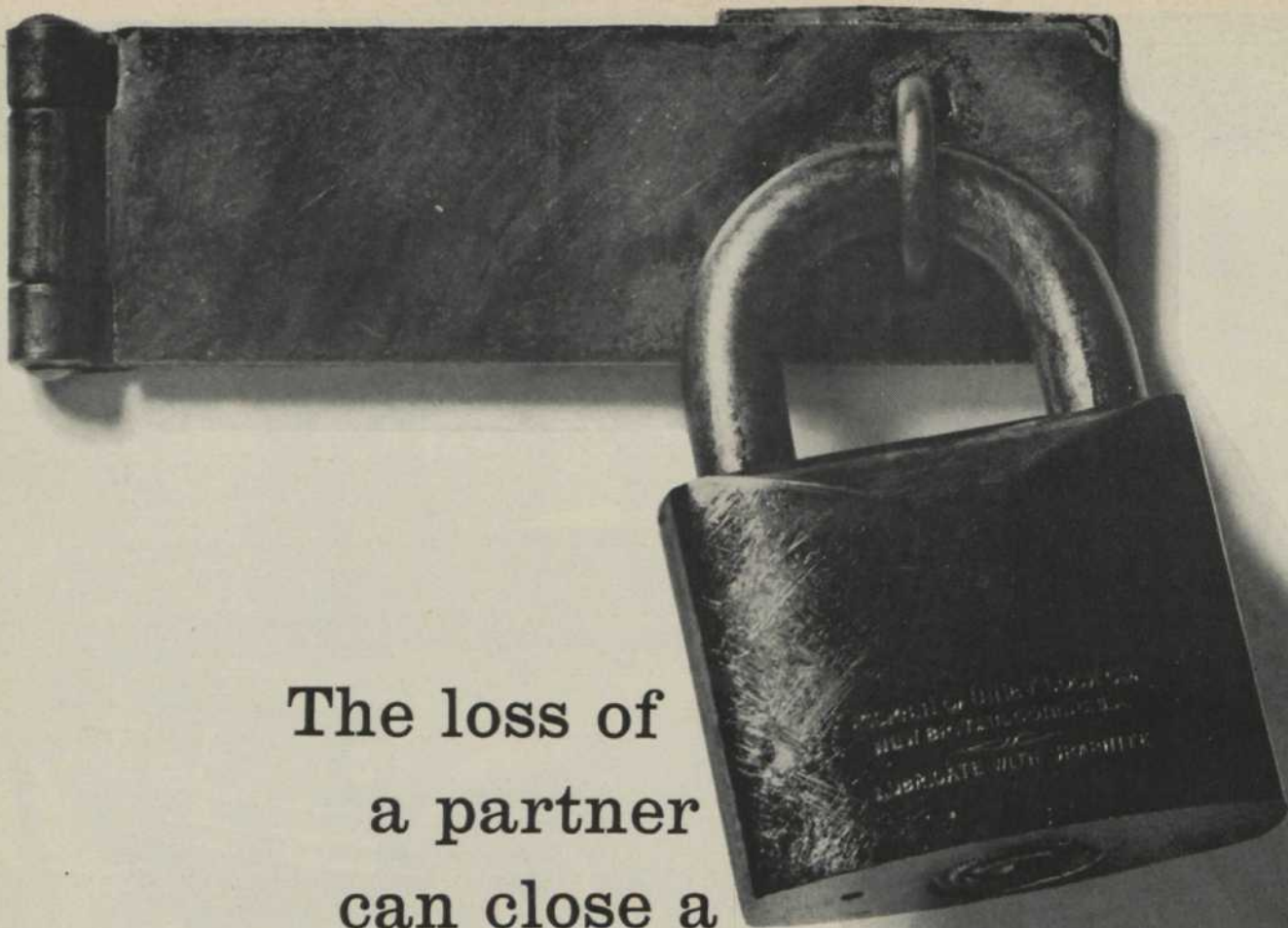


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The loss of a partner can close a business for good!

Here's how Business Insurance from New York Life can help keep it going

As your lawyer will tell you, the death of one of your partners spells the legal death of your partnership unless you have an express agreement to the contrary. The effect on your business can be serious, perhaps fatal.


Of course, you can try to keep the business going by taking the heirs into the firm. That is, if they are all adults and want to come in, and you want them as partners. Often this proves impossible, or very unsatisfactory. You can buy the heirs out, if a price can be agreed upon—but could you raise the cash? In many cases the business will have to be liquidated, piece by piece, and at sacrifice prices!

Fortunately, the problem can be solved. A business continuation agreement, funded by Business Insurance from New York Life, can guarantee surviving partners complete ownership of a firm. It also assures the heirs

of the deceased partner a fair price, in cash, for their interest in the business.

This is only one of many important uses of modern Business Insurance from New York Life. For the finest insurance plans for your business, family or employees, talk to your New York Life Agent. Or write: New York Life Insurance Company, Dept. EN-4, 51 Madison Avenue, New York 10, New York. (In Canada: 443 University Avenue, Toronto 2, Ontario.)

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management's WASHINGTON LETTER

► **LITTLE-KNOWN FACT** about unemployment compensation:

Jobless pay in this country is higher than average hourly wages for employed factory workers in most of Europe.

► **ARE CONSUMERS** holding big dollars out of consumption stream?

Note these national trends:

Despite gloom that hangs over jobless figures being tabulated in Washington, fact is almost 64.7 million Americans do have jobs at good pay.

Total take-home pay of all Americans comes to roughly \$360 billion a year.

About \$330 billion of this goes for personal consumption.

Savings rate amounts to \$76 out of every \$1,000 of after-tax pay.

In total dollars that means Americans are saving roughly \$4.5 billion a year more than they were last year.

Putting some of these increased savings back into consumption stream would give economy quite a lift.

Increase in consumer expenditures is expected to begin this month.

New confidence will begin showing up in retail sales.

► **ASK YOUR BANKER** about these trends.

He can tell you if pessimism appears to be causing consumer reluctance in your community.

He'll probably tell you bank deposits of individuals are at or near a peak.

That's how it is in most cities.

This follows national trends, hints consumers in your area are playing safe, not spending as much as they could, are waiting for gloom to pass.

► **WHAT CAN YOU DO?**

Try harder selling techniques.

Examine your whole selling program.

Method weaknesses show up in times like these.

This is good time to correct your weaknesses, get ready for next upsurge.

Leading businessman sums up what to do about nation's economic ills this way:

"We've got to sell our way out of this situation.

"We can't government-spend America to prosperity."

► **MEN WHO WATCH TRENDS** daily--the

professionals in economic observation --know business is improving.

They'll tell you so--privately.

Out of 25 company economists meeting at closed session in Washington, only one sees prospect that business will not improve by year end.

All others see upward trends.

► **REAL BUSINESS OPPORTUNITY** shows up in these figures:

Americans currently are spending at rate of more than \$1.3 billion every day you're open for business.

That's what goes for housing, shoes, clothing, haircuts, auto payments, oil and gas, TV repairs, shrubs, fertilizer, lawn mowers--all the things people buy and use.

It's measure of the size of today's market.

Projection indicates that by end of this year size of this market will go up at least \$120 million a day.

That's minimum.

Could go higher if your selling plans pay off.

► **HERE'S WHERE CONSUMER** dollars are going:

Durable goods--\$170 million a day.

Nondurable goods--\$610 million a day.

Services--\$540 million a day.

Figures are based on days open for business--Sundays, holidays excluded.

Note: Personal taxes amount to more than durable goods--average \$185 million for each working day.

► **HERE IS WHAT'S HAPPENING** to personal consumption, what future trends you can expect:

Total goods and services purchased by consumers slipped a little last fall, rose at Christmas time.

Indications point now to probability that buying has slipped about one half of one per cent since Christmas rush.

There's reason to believe low point has been passed, that annual rate for personal consumption by year-end will go up about four per cent.

► **IF YOU WONDER** why over-all personal consumption has not declined more, remember we've got a built-in cushion.

Seven out of 10 jobless workers are

getting an average \$34 weekly in unemployment pay.

That's equal to about a third of the average pay for employed factory workers.

It's also equal to approximately half the average weekly pay for employees in retail trade.

►YOU CAN TELL who's prospering, who isn't by looking at sales categories.

Durable goods--Sales slipping since high point in second quarter '60, total drop indicated at about 10 per cent.

Durable goods sales are expected to rise to previous high by end of '61, go on up from there.

Nondurable goods--Sales have been on plateau most of past year, slipping an estimated one half per cent to lowest point about three months ago.

Nondurable sales now appear headed up again, are expected to reach previous high this quarter and be up three per cent by next Christmas.

Services--Continuous rise, no decline at all.

Indicated is a probable rise of about five per cent during 1961.

►IN SHORT:

U. S. economy is lifting off plateau where it has been jogging along.

►WHICH WAY will unemployment go from here?

To help you see better what's ahead examine these facts:

Total number in work force now is roughly 72.9 million.

More than 2.5 million are serving with armed forces.

That leaves approximately 70.4 million who are currently in active civilian work force.

Almost 64.7 million workers have at least one job (an estimated 3.5 million moonlighters have two or more jobs) and about 5.7 million are unemployed.

Manpower specialists estimate for NATION'S BUSINESS that number of people with jobs will rise this month.

Unemployment is expected to decline. New economic pick-up will bring more improvement next month.

Then, two months from now, will come the annual surge of youngsters let out

of school for summer and seeking temporary or permanent jobs.

►LOOK FOR ABOUT 2.5 million youngsters to join work force this summer.

Informed guess is that about half will get jobs, half won't.

That'll push total employment to new high.

It'll also jack up jobless total.

But remember:

This is summer situation. Happens every year.

Doesn't mean business is on the rocks.

Note: Number of people at work now is highest ever for this time of year.

This trend is expected to hold true throughout summer.

►YOUR COSTS WILL RISE in years ahead for worker training.

That's indicated by coming trends in work force. Details on page 65.

►HOW TOUGH YOU CAN BARGAIN with unions is question headed for the courts.

Test case involves General Electric's hard-bargaining policy of not making concessions unwarranted by facts and of stating management views to union members to gain their support.

Electrical workers union complains the company doesn't bargain fairly, that it undermines union leadership by giving views directly to union members.

Case heads first to National Labor Relations Board for decision.

After that, court test is probable.

Outcome is important to management, particularly because of Taft-Hartley law provision that says the duty to bargain collectively "does not compel either party to agree to a proposal or require the making of a concession."

Much of your freedom in dealing with unions will be taken away if this case is decided against management.

►WHITE HOUSE MOVING IN at bargaining table invites more future strikes.

That's feeling of labor-management specialists who believe White House intervention is undermining status and effectiveness of regular government agencies which deal with disputes.

In two instances--tug workers, flight engineers--strikers were rewarded with

management's WASHINGTON LETTER

promises their demands would be reviewed by other government groups.

Here is what's happening:

New York tug strikers protested recommendations of a presidential emergency board which were acceptable to management.

By bringing N. Y. rail and shipping transportation to near halt, strikers will now get a second hearing before the Presidential Commission on Railroad Work Rules.

Strikers object to a reduction in size of tug crews.

Airline strike was called in protest against National Mediation Board order for flight engineers and pilots to pick one of two unions to represent both engineers and pilots.

Engineers, by bringing long-distance air travel to near halt, now will have their objections heard by a special presidential commission.

What this means, according to one long-time labor dispute specialist, is that the rulings of regular government agencies dealing with strike problems are being tossed aside, the agencies' effectiveness destroyed.

For the future, this encourages new strikes when decisions go against the unions.

►TOTAL OF 117 UNION contracts involving 5,000 or more workers each will run out this year--42 of them up for negotiation between now and end of June.

Watch auto industry later this year.

Strike is probable.

Negotiations come up in August and September.

►COLD WAR TENSION won't ease quickly.

Despite new Russian moves to appear friendly to U. S., cold war costs will keep climbing.

Trends:

Taxpayer costs for major national security currently are running at rate of about \$45.5 billion a year.

By next Christmas rate of expenditures is expected to jump to \$48 billion.

It's pointed up from there.

►ROUND TRIP TAX money is headed over \$8 billion next year.

Those are taxes collected by Uncle Sam

and turned over to state and local governments.

It's third highest source of revenue for state, local governments.

Estimated sum for next year will be double amount in '57.

►WATCH FOR MORE bad checks.

Specialists in this field of crime, noting trends, think conditions are ripe for a pick-up in bogus check writing.

Record number also can expect to get caught.

There's no sure way of predicting how many bad checks will be written and how much money will be involved.

But trends hint possibilities.

Average fraudulent check recently has been running about \$160.

Look for face value to rise somewhat in months ahead.

Total face value of phony checks now is running about two and a half times higher than 10 years ago.

►TREND: Price of membership in New York Stock Exchange is about \$152,000.

Range during past year runs between \$135,000 and \$162,000.

Membership transfers 10 years ago cost between \$46,000 and \$54,000.

►GOVERNMENT SPENDING: New Jersey's share of interest on federal debt comes to an estimated \$390 million this year.

New Jersey Taxpayers Association says that's enough to pay 95 per cent of the state's total school tax levy.

►WELFARE: There's analysis of trends in federal welfare programs for next 10 years on page 90.

►TAX CASES: More action is coming in civil tax suits. Here's why:

Government wins 71 per cent of cases. Look at this record:

More than 4,800 convictions for tax fraud have been obtained since '53.

That's more convictions in eight years than were obtained in previous 20.

►AT SAME TIME, taxpayers suing government for refunds aren't as successful.

Courts during past year have limited refunds to \$1 out of every \$8 claimed by taxpayers as overcharges.

Portrait of 2 men taking inventory

(yet, you only pay one salary)



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Business opinion:

Finland keeps love of freedom bright

YOUR FEBRUARY issue has an interesting illustrated story entitled "Communism on Schedule." However, members of the Finnish-American Chamber of Commerce were shocked to note that the artist includes Finland as a country that the communists took in the 1940's.

I am sure that you know this to be most incorrect, and I am sure that you also realize what harm your drawing can do to us among those readers who are well enough acquainted with European geography to be able to identify Finland colored in red. On behalf of the Chamber I sincerely hope that you will kindly print a few sentences in your next issue correcting this error.

EERO KORPIVAARA
Executive Secretary
The Finnish-American
Chamber of Commerce, Inc.
Helsinki, Finland

You have thoroughly insulted and shocked 4.5 million communist-loathers by publication of the absurd polar projections of communist occupation.

Finland is not a communist country. It is not within the communist bloc. It is not Russian-like, nor is it "Eastern" in the psychological sense.

Finland is as west as Australia, and as west as England.

G. WALDEN PORTER, JR.
Chicago, Ill.

►The map showed Russian domination. Despite Finland's love of freedom and refusal to accept communist ideology, she has been forced to cede more than 16,000 square miles to the USSR, has treaties of mutual assistance and friendship running until 1975.

When I reached "Communism on Schedule" a strange feeling of claustrophobia overcame me. This is the most graphic portrayal of the communist tentacles it has ever been my good fortune—or misfortune—to see.

I want my children to have a copy of these diagrams, and their friends, and teachers, and my friends, etc.

I may be just one voice in the wilderness, but can probably reach

many people, and everyone in the United States should study these diagrams.

JEAN M. GRAHAM
Montrose Products Co., Inc.
Auburn, Mass.

"Communism on Schedule" seems to me to be the most dramatic pictorial record of the rise of communism I have ever seen.

In addition to raising funds for Radio Free Europe, we also are supposed to do what we can to keep the American people informed of the problems of the captive countries behind the Iron Curtain. We can put this to good use through our field staff and volunteer workers.

JOHN M. PATTERSON
President
Radio Free Europe Fund
New York, N. Y.

May I suggest that in the interests of awakening more people to this threat you consider reproducing "Communism on Schedule" in brochure or booklet form and make it available for distribution by all elements of our society. In addition to the material included in the article, may I further suggest you include a list of the practical measures that each individual citizen can and must take to turn back the tide.

PETER CONTARDO
Safety Engineer
Trenton, N. J.

Effective job

We feel that "Eight Steps To Better Training" [March] could do an effective job for us in our supervisory training programs.

A. M. BELIVEAU
Personnel Representative
The Ohio Oil Co.
Findlay, Ohio

Job made easier

Your management articles are making my job of quality control engineer an easier one.

BRUCE CORRIGAN
Sacramento, Calif.

Help for field force

I am writing for permission to use a portion of "Take Credit for Hidden Pay" [October] in making

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Business opinion:

up some information bulletins for our field force.

JOE E. STEWART
Pyramid Life Insurance Company
Kansas City, Kans.

►Permission granted.

Polaroid president

In the article "Dare to Play Your Hunches" [March] the author speaks of the Polaroid-Land company and its president, Emory Land.

Edwin Land is president of the Polaroid Corporation.

I am surprised you allowed these mistakes to be printed.

JOHN M. TUCKER
Cincinnati, Ohio

►Reader Tucker is right. We share his surprise.

Dishonesty is undesirable

In "Who Should Break the Rules" [February] George S. Odiorne sets out to prove that "offbeat behavior" can harm a business as much as strict conformity—and ends up instead demonstrating that dishonesty is an undesirable quality in a business executive.

Concerning the theme of Mr. Odiorne's article, it should be pointed out that the nonconformist's individualism will generally be apparent not only in his thinking but in all aspects of his behavior, including the social. Thus, he will at times be a source of friction in an organization. Just as surely as the nonconformist is not necessarily dishonest, he will resent efforts to draw fine lines limiting expression of his individualism, and in his reaction to such quibbles will become less productive of the new ideas and novel solutions to problems for which he is valued.

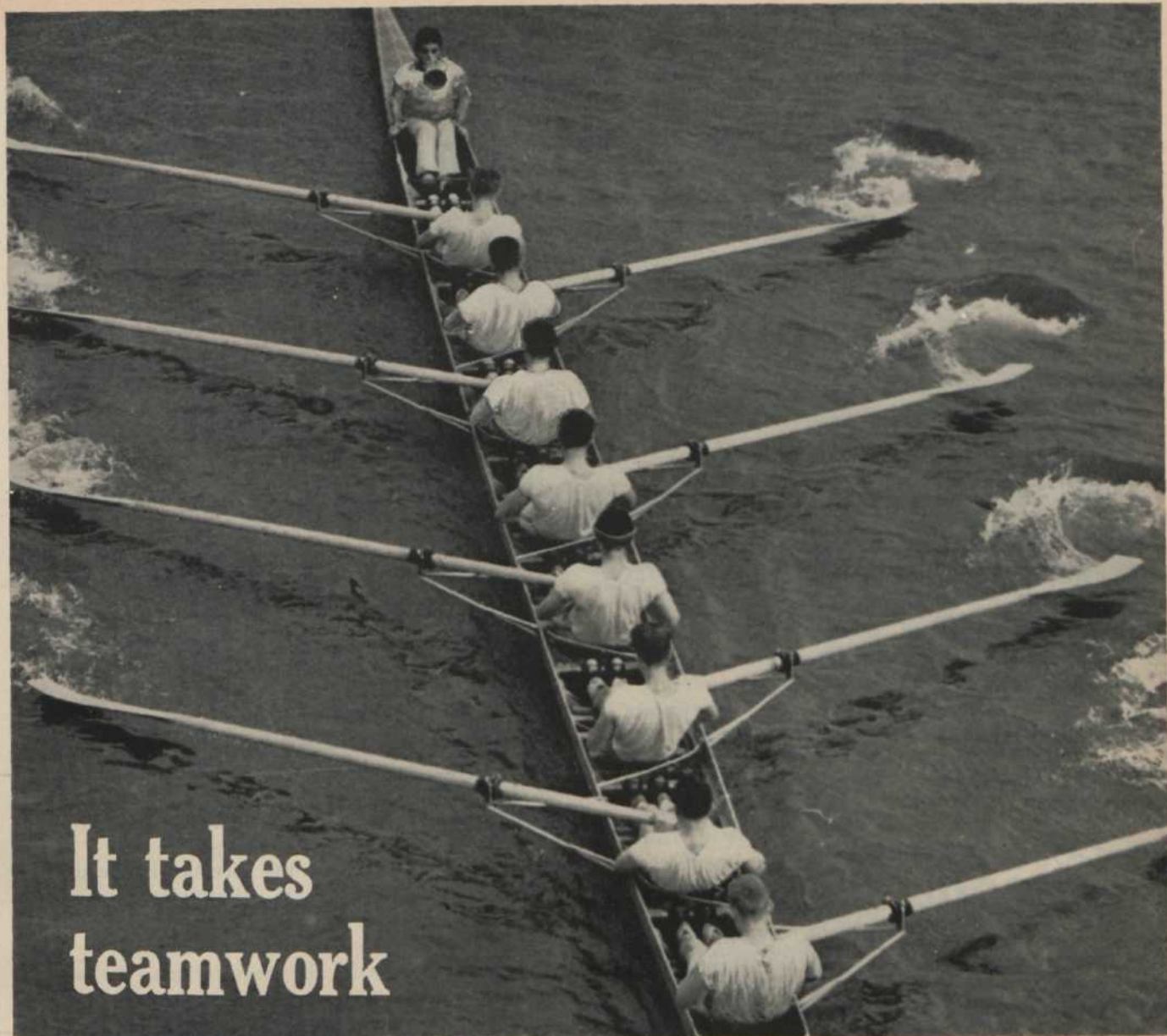
ARNOLD S. DANIELS
Arnold S. Daniels Associates
Cambridge, Mass.

Texans for freedom

"False Claims in School Control Drive," and "Red Slant Reaches 10 Million U. S. Readers," [March] were excellent.

We in Pecos, Texas—in the heart of rugged West Texas—are doing everything possible to remain free Americans. We have difficulty in our efforts, however, due to the liberal element which has been suckered in by federal fast-talkers.

Our paper is not large, but it carries a big stick. We lash out at (continued on page 80)



**It takes
teamwork**

to perpetuate your business and provide for your family too



IN A CLOSE CORPORATION, for example, preserving the value of your business interest is no one-man operation. You need a well-coordinated *team of experts* to help you through the rough waters of financial planning. An *Aetna Life Close Corporation Business Insurance Plan* may well offer the solution. It can assure the surviving stockholders *unhampered management control* of the firm—and at the same time provide cash for your family's future security.

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Hartford 15, Connecticut

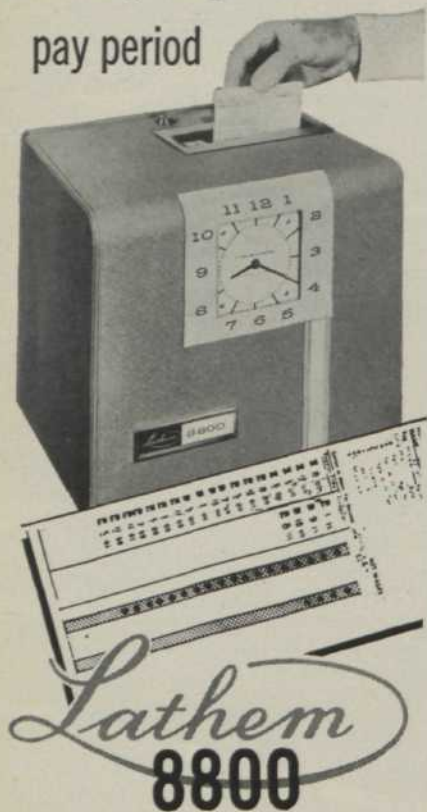


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Executive Trends

- Pessimism blamed for job cutbacks
- Give your company sex appeal
- Hints for boosting employe output

Economic scare talk in Washington is blamed by some executive recruiters for recent weakness in demand for managers. Spokesman for one search firm says, "Every time the President or some other high government official says something gloomy about the business outlook, it leads to executive layoffs."

Recruiters, in the business of finding and placing good men, say some of the managers dismissed in recent months as a result of economy moves are of a caliber not easy to relocate.

One major New York recruiting outfit finds demand for top-level men off sharply, but reports continuing high demand for men in middle management who have specialized skills—such as seasoned marketing executives and some scientific and technically oriented men. These are executives in \$15,000 and up category.

Recruiters look for upturn in demand for executives by midyear.

If you face union negotiations in 1961, or later, you might want to jot down these bargaining tips from F. M. Wistert, vice president and director of industrial relations for The Electric Autolite Company of Toledo, Ohio:

1. Have only one spokesman.
2. Identify the issues.
3. Initiate the bargaining and stay on the offensive.

4. Maintain momentum, once you gain it.

5. Never make your final offer unless you are certain that it will be accepted.

Mr. Wistert, addressing a recent American Management Association personnel conference, had an additional suggestion:

Since the foreman is the person who must administer the agreements you negotiate, take him into your confidence. Familiarize him with the negotiations, the agreement reached, employe rights and company rights. Too often foremen are not properly equipped to administer agreements.

You've heard of "moonlighting" by blue-collar workers.

That term describes the holding down of a second job—usually at night.

An industrial relations director offers this definition of an executive moonlighter: "That's a guy who is working part-time as a consultant."

What happens to the business of management consultants when general business is in a recession?

The answer depends on where you look.

The larger firms—those offering diversified services—have been keeping busy. Many of them have been called in to assist companies with



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EXECUTIVE TRENDS

continued

cost-cutting programs, and to advise on how to improve market strategy. Some smaller consulting organizations—those firms which offer highly specialized services—have suffered a drop in billings as a result of the 1960-61 adjustment.

Item: Many U. S. businesses, warily watching costs during rough economic weather, have deferred action on management development programs and long-range reorganization plans. Such projects will be resumed when the economy begins to move markedly upward.

• • •

Your company can have more pulling power with good prospective technical employees.

To get this magnetism, manpower communications consultant Arnold R. Deutsch suggests these four steps:

- ▶ Develop and maintain high morale in your present technical staff.
- ▶ See that outside technical people visiting or contacting your company receive a favorable impression of your firm's attitude toward engineers and scientists.
- ▶ Expose your technical personnel to the technical community so that they will have the widest possible opportunity to spread the word about your company's attributes as an employer.
- ▶ Develop or hire some outstanding technical names.

• • •

Feel fatigued at midday?

Vice president of a midwestern company closes door to his office after lunch, sets alarm clock for 30 minutes later, naps on floor. He finds his executive suite siesta refreshes him for the afternoon.

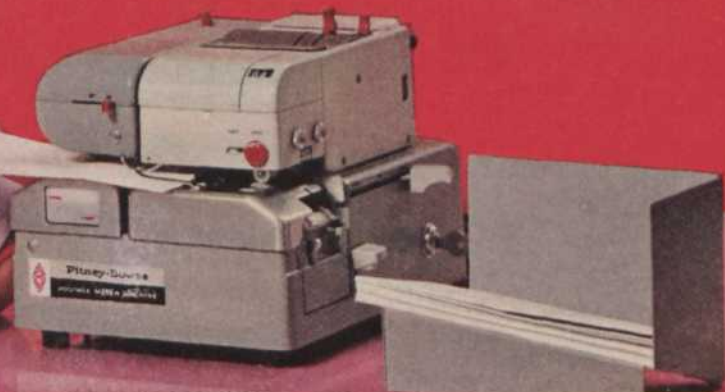
• • •

Will business some day find itself drowning in its own steadily growing masses of research data?

At least one business thinker has been pondering this question. He's Marion Harper Jr., board chairman of McCann-Erickson, Inc., an advertising agency.

Mr. Harper says the nation needs
(continued on page 21)

Little helper, big help— new, first powered compact postage meter machine!



This Model 5400 is no bigger than a typewriter. But it stamps envelopes, in denominations from $\frac{1}{2}\text{¢}$ up to $\$9.99\frac{1}{2}$, then seals and stacks them. And gives you room to grow! If you start sending out lots of letters or occasional mailings, you can get a separate, fully automatic envelope feeder that attaches to the 5400 — gives you speed when you need it!

The 5400 also provides postage for parcel post on special gummed tape. With every meter stamp, it can print your own postmark ad, if you want one. The meter is set by the postoffice for as much postage as you want to buy. It protects postage from loss or damage.

And accounts for postage on registers that show postage used and on hand.

The 5400 handles envelopes as large as 9 by 12 inches. It's easy to use. Postage denominations wanted are set by finger tip levers. The meter is light, easily removable. Change stamp dates by turning a dial. Liberal water supply for sealing a lot of envelopes or moistening tape.

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FREE: Handy desk or wall chart of latest postal rates, with parcel post map and zone finder.



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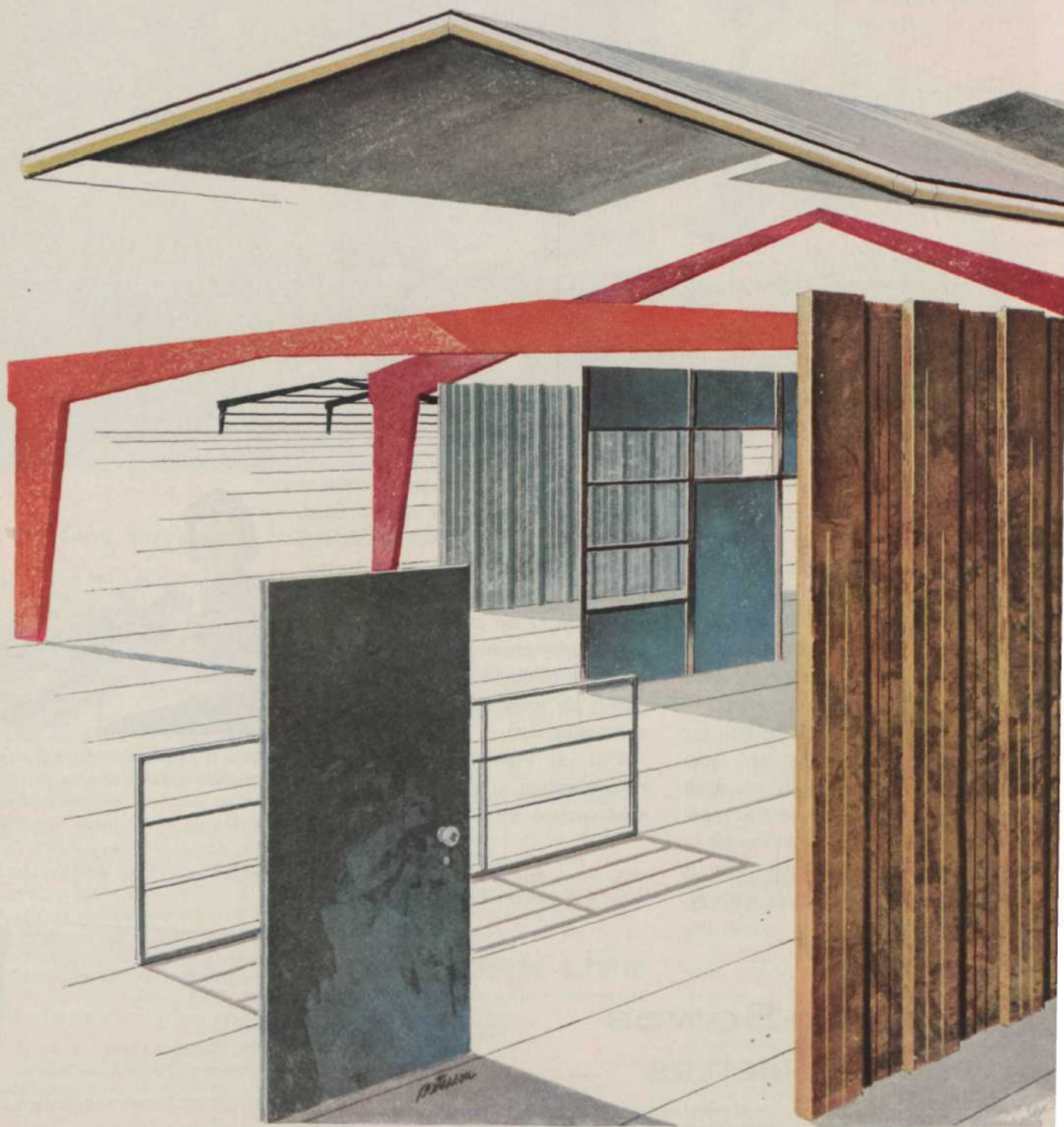
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to outdesign...and
made a sweeping
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EXECUTIVE TRENDS

continued

to train men who can help the non-specialized businessman supervise and evaluate the work of his many scientific, social and economic research experts.

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• • •

Top secret: Large company in food field reports it has a confidential analysis of its promotable executives under lock and key in its eastern headquarters.

Firm is concerned about problem of having right men ready at right time to meet future demand. It finds that its “Manpower Resources Register” gives personnel and other departments good, fast reference source in tapping men for advancement. The Register is a continually reviewed and updated record of each manager’s performance and capabilities.

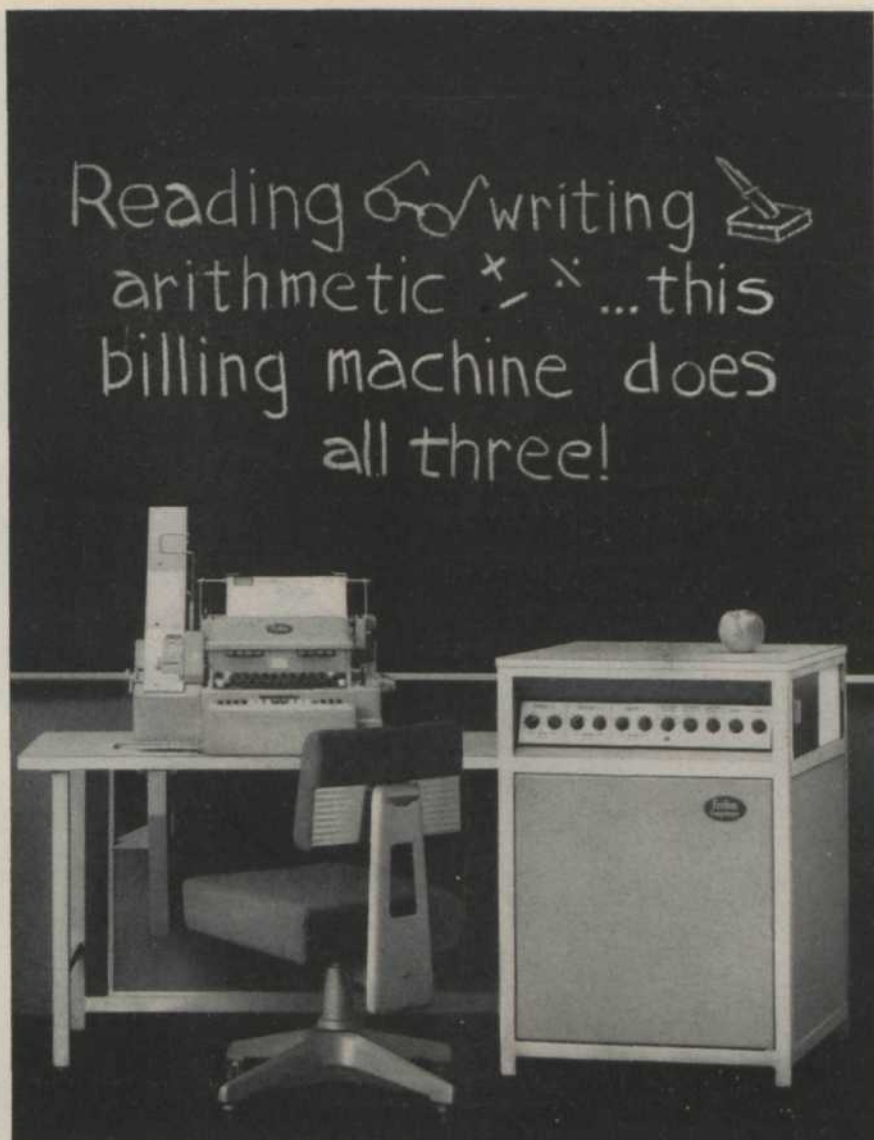
• • •

You can correct attitudes which may be keeping your employes from putting forth their best efforts.

R. S. Livingstone, vice president for human relations with Thompson Ramo Wooldridge, Inc., says the problem of employe misconceptions is a major one. He feels it warrants full attention of top management.

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3. The impression that “the boss is trying to hold people down.”
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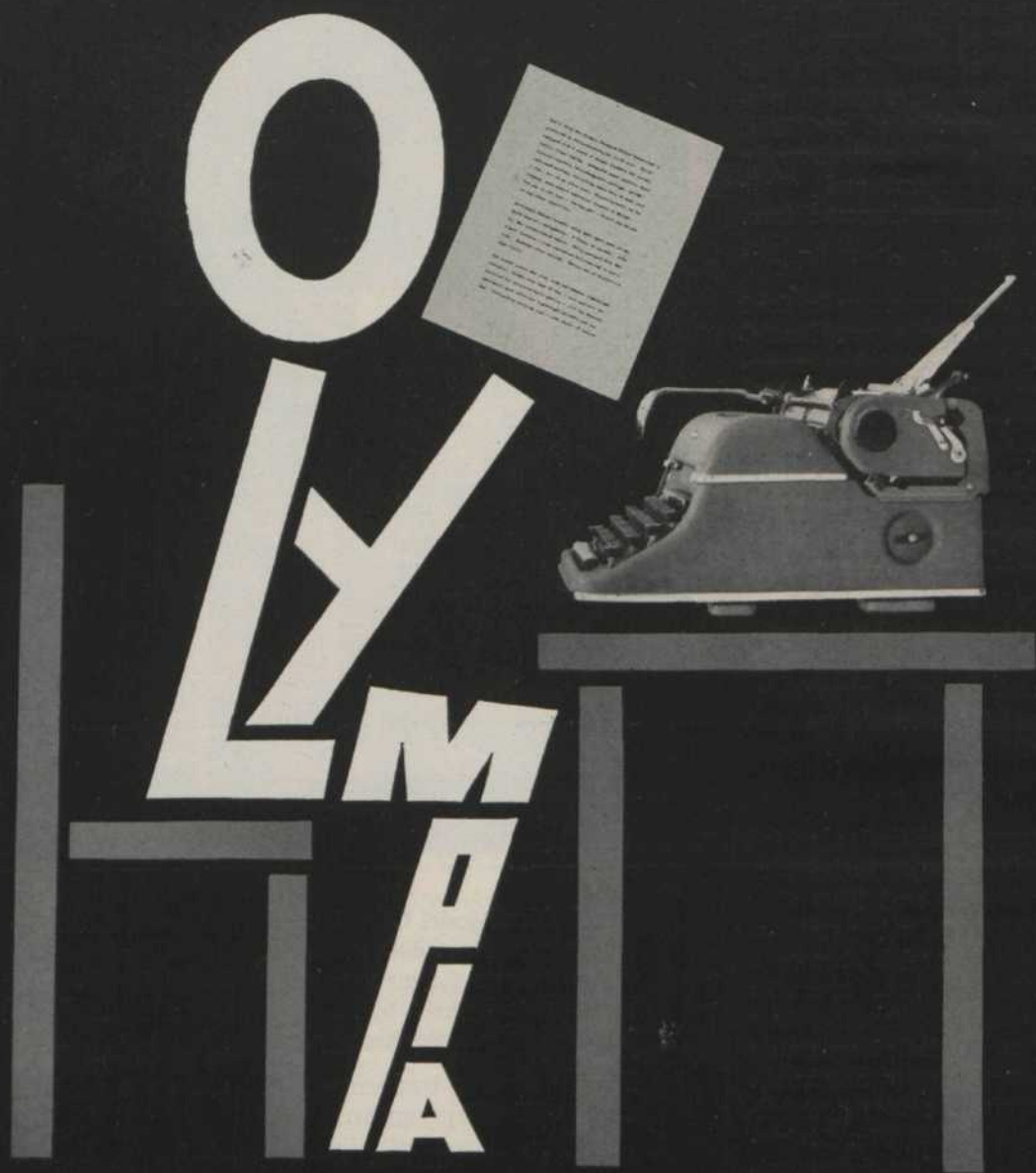
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BY EDWARD T. FOLLIARD

TWO VETERAN political reporters were chatting as President Kennedy strode into the room for his weekly news conference.

"You know," said the older of the two, "I still find it hard to believe that fellow is President of the United States."

It is always that way for a while after a change in Administration, particularly when the new man takes over from one who has been President for eight years. We can imagine how difficult it must have been for Americans to adjust to the switch from George Washington to John Adams in 1797. Washington had impressed himself on the minds of his countrymen as the beau ideal of how a President ought to look and what he should be like; Adams, as Vice President, had been known as "His Rotundity," and had acquired a reputation for being stubborn, egotistic, and quarrelsome.

The transition from the fiery Andrew Jackson to the less colorful Martin Van Buren also must have been a jolt.

From the standpoint of looks, Warren G. Harding was eminently qualified for the White House; that is, he was the big, rugged, distinguished-looking type that a Hollywood director would surely have cast for the role of President. Calvin Coolidge, who succeeded him, was not at all impressive in a physical way. Yet Coolidge turned out to be a stronger man, more careful about his conduct and his associates, and in time seemed to fulfill the popular notion of what a President should be like.

Perhaps the most startling transition was from Franklin D. Roosevelt to Harry S. Truman. I was a war correspondent in Germany when FDR died in the spring of 1945. Our soldiers were stunned when they read the news in the *Stars and Stripes*; they acted as if the Allies had lost a great battle.

President Roosevelt had been in the White House for more than 12 years, and the younger gr's had little or no memory of any other President. Hence it was hard for them, and for many others, to imagine Truman as the No. 1 man. In time, of course, he, too, acquired the aura.

Now the people here are beginning to get used to President Kennedy, to feel that he belongs in the mansion at 1600 Pennsylvania Avenue. They are beginning to realize that he is mature and knowledgeable far beyond his 43 years; that such venerable Democrats as 79-year-old Sam Rayburn defer to him as a born leader, and that a new style and a new vigor have come to the Washington scene.

Mr. Kennedy is clearly in love with his job. He works hard at it and, unlike some of his predecessors, is never heard to complain about it being a burden or



People had to adjust their image of a President when the rotund Adams succeeded George Washington

a man-killer. When a friend asked him recently how things were going, he grinned and replied: "Well, I have a nice home, the office is close by, and the pay is good."

The quality in Mr. Kennedy that most impresses observers here is his coolness in the midst of the hurly-burly of the New Frontier. He takes things in stride, and seems to be imperturbable in the face of criticism.

And criticism there has been, in spite of the fact that the Gallup Poll showed a hefty 72 per cent of Americans feeling that he is doing a good job. Some

TRENDS: WASHINGTON MOOD

of the President's fellow Roman Catholics, notably leading prelates in the hierarchy, are unhappy because he did not include private and parochial schools in his aid-to-education program, while most Protestant denominations have praised his stand.

Southerners in Congress are angry because he has appointed so many Negroes to high posts in the government; but Clarence Mitchell, a Negro leader, director of the Washington office of the National Association for the Advancement of Colored People, has criticized him sharply for not doing more in the field of civil rights.

After Mr. Kennedy made a speech saying that business and government were not "natural enemies" but "necessary allies," an old New Dealer was heard from. Rexford G. Tugwell, a member of the Roosevelt "brain trust" in the 1930's, implied that he was guilty of heresy, and suggested that FDR would never have made such a friendly remark about business.

One interesting aspect of the Washington scene is the attitude of many Republicans, especially those



Uncomplaining about hard work, President Kennedy jokes, "I have a nice home, the office is close by"

outside of Congress. They have said that the New Frontier is much less radical than they had expected.

What has won the admiration of these people is the absence of narrow partisanship in the new Administration. They were impressed by the inclusion of Republicans in the Kennedy Cabinet. They noticed that the first time the President left the White House to dine out he went to the home of Sen. John Sherman Cooper, a Kentucky Republican and a close friend.

They also liked the way the President asked Congress to restore Dwight D. Eisenhower's old rank as a five-star general, and called attention to his predecessor's "outstanding military record and his long public service to our country in war and peace."

This brings to mind something that happened at former President Eisenhower's last news conference, which he held on Jan. 18, two days before leaving the White House.

"Can you tell us, sir," a reporter asked, "what you

think is the greatest problem confronting your successor?"

"Well," said President Eisenhower, "I think that is answered almost by the fact that the thing that causes all our problems is the intransigent, unreasonable attitude of the communist bloc.

"Therefore, his [Mr. Kennedy's] basic problem—and, as a matter of fact, not just the President's, everybody else's—is what to do to keep ourselves strong and firm and yet conciliatory in trying to meet this terrible problem that is none of our making."

It is the "terrible problem" that now takes up most of President Kennedy's time and thought and energy. He agrees with his predecessor that the United States must be "strong and firm and yet conciliatory," but he is not satisfied that it is now strong enough. Hence he is moving to beef up America's military might, knowing that the Russians despise weakness and respect only strength.

But while President Kennedy has one eye on the Pentagon he has the other on the Department of Commerce. He sees the need of stimulating the economy and building up military strength as two parts of one great problem.

He feels that the United States not only has to convince the Soviet Union that nothing is to be gained by another great war, but has to persuade the uncommitted nations in Africa and Asia that the American free enterprise system is a winner that they might well adopt.

Soviet Premier Nikita S. Khrushchev doesn't like President Kennedy's fondness for Theodore Roosevelt's slogan, "Speak softly but carry a big stick." In a recent speech, he boasted that the Soviet Union had a bigger stick.

But what would disturb the Russian dictator far more would be a sharp improvement in the American economy. He is well posted on the business situation in this country and has been making propaganda capital of our economic slow-down.

Thus, in a speech before the Institute of Marxism-Leninism in Moscow Jan. 6, Premier Khrushchev exulted over Russia's economic growth and taunted the United States for its large number of unemployed and for the fact that our steel industry was operating below its productive capacity.

"By 1965," Khrushchev said, "the USSR will outstrip the United States in volume of production . . . The victory of the USSR in economic competition with the United States, the victory of the whole socialist system over the capitalist system, will be the biggest turning point in history . . ."

Secretary of the Treasury Douglas Dillon looks for an upturn in the American economy beginning this month. Walter W. Heller, chairman of the Council of Economic Advisers, feels that "signs of an upturn predominate" in the business picture.

The big problem, according to Mr. Heller, is taking up the slack between "what we are producing" and "what we can produce."

President Kennedy will not feel that he is making good in his job until he has closed that gap, or at least made headway toward closing it. His proposals for doing this are bringing more praise and blame from Capitol Hill.



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U.S. dollars would increase education ills

BY FELIX MORLEY

THE BASIC PURPOSE of education can be simply put. It is to expose error and seek the truth. Whether the error lies in a maladjusted carburetor, which the trained mechanic will set right, or in faulty logic, which a philosopher can refute, is really secondary. Vocational or intellectual, education draws out ability to produce proficiency.

Of course good teaching and, to a lesser extent, good equipment are vital. This applies from introduction to the three R's right up through the highest levels of graduate study. However, no discipline, to use the old-fashioned but accurate word for the various branches of learning, can actually do more than develop and train the critical faculty of the individual pupil. It is on the cultivation of this critical ability that all progress depends, from the invention of the wheel to interplanetary navigation. Only education can develop this ability. But misdirected education can also crush it.

It is therefore tragic—no lesser word will serve—to see the new Administration advocating federal aid to education in a manner shot through with those very fallacies that it is the purpose of education to detect. The legislation now before Congress starts with the false assumption that there is some direct relation between the quality of education and the amount of public funds spent per capita to provide it. That simply is not true.



The problems of this country have never been more squarely and intelligently met than by the men who wrote our still enduring Constitution. Yet only a small minority of them had ever been to college; none had been trained in political science and they were so uniformly ignorant of modern economics as to believe that governmental income should cover its expenditure. Actually no money from the Treasury was spent for public education during the early years of the republic. Nevertheless it is doubtful that we could today, from a population 45 times that of 1790, assemble a task force that would do as good a job for our posterity as the Founding Fathers did for us.

What President Kennedy calls his "modest program" demands \$5.6 billion in federal aid to education over the next three years. At the same time, "each state will be expected to maintain its own effort or contribution" in this field. It is clearly fallacious to couple this warning with the assurance that: "Education must remain a matter of state and local control." When a superior says that something is "expected" of an inferior agency, that of itself implies control by the former. And when the central government takes the taxpayers' money, for any purpose, it has not



The ultimate end of government intervention is direction of schools by central authority

merely the right but also the positive duty to control the way that money is spent.

A stated purpose of the Kennedy plan is to "assist our relatively low-income states in the elevation of their educational standards to a national level." The assumption that standardization of education means improvement is itself fallacious and in this instance debasement is far more probable.

It is, of course, possible for Washington to take even more money from high-income states and redistribute it, less heavy service charges, to those with smaller financial resources. But, in the last analysis, all the

money for education must come from the taxpayers of the 50 states. Under current pressures their legislatures will undoubtedly welcome this easing of the revenue-raising chore. The all but inevitable effect, however, will be to make it more difficult to raise money for education in the richer states, while actively encouraging the poorer ones to rely on guaranteed federal subsidies.

Evidence of this is already at hand. Before the Kennedy plan was proposed, the Maryland legislature was considering the establishment of 800 additional state scholarships, at the college level. When the program was announced the number was immediately cut to 400. It was figured at Annapolis that under the bill before Congress Maryland colleges would obtain 387 new federal scholarships in 1962. So the legislature decided to eliminate the equivalent, plus a few extra, from its program.

So even if it were true that the quality of education improves with the quantity of money spent, this self-defeating program would offer no assurance of progress. It would make sense only if the officials in the Department of Health, Education and Welfare knew more about the subject than do the local school boards. The latter, being under the gun of effective public criticism, must show results in order to get their funds. There would no longer be any necessity for this if all educational control can gradually be shifted to the labyrinths of Washington, which is clearly the underlying purpose of this "modest" bill.

President Kennedy says that "our progress in education over the last generation has been substantial," giving as evidence the fact that \$26 billion is being spent for that purpose this year. Even if the current expenditure were ten times this huge amount, many a parent would have reason to question this alleged progress. A recent study by Syracuse University emphasizes that vandalism in the public schools, almost unknown a generation ago, has now become a serious problem in many cities. In New York the bill for broken windows and other willful damage is running at the rate of \$500,000 a year. "The reason for vandalism most often cited by teachers and students," says the Syracuse report, "was boredom." Increased boredom is scarcely compatible with educational progress.

To ascertain what produces boredom one need only examine the courses now actually imposed on teachers and pupils by those so-called educationists who form the backbone of the federal-aid lobby. A not untypical illustration is found in the upstate New York high school, not far from Syracuse, which gives instruction on "learning to be livable, lovable and datable." If the boys there smash windows in protest, they are scarcely to be blamed. A courageous member of the recent educational task force, Prof. Arthur Bestor, protested that to have such "life adjustment" courses actively promoted from Washington would be fatal. "Local communities," he said, "should pay the full cost of the frills to which they may be addicted."

The selective evidence bolstering the case for federal aid is also applied to higher education. Mr. Kennedy asserts that: "An estimated one third of our brightest high school graduates are unable to go on to college principally for financial reasons." There are absolutely no reliable data to support this contention.

But it is a fact that much available scholarship help is now unutilized for lack of qualified applicants, to say nothing of the generous and rapidly expanding student loan facilities. It could be argued that talented youths who do not seek out the assistance currently on tap reveal themselves as poor material by that very inertia. Nevertheless, the proposal includes an elaborate system of federally financed "state-administered" scholarships. The probability of political manipulation here is the stronger because of the temporary lack of any supervision by H.E.W. That, of course, would come later, when the shortcomings of this program make it essential to transfer full powers to Washington.

Still another fallacy is found in the attempt to draw an acceptable line of demarcation between public and private schools, in respect to federal aid.

President Kennedy, in recommending his program to Congress, said: "In accordance with the clear prohibition of the Constitution, no elementary or secondary school funds are allocated for constructing church schools or paying church school teachers' salaries." Since the great majority of church-directed schools are maintained by Roman Catholics, this has been praised as showing the President's complete and proper impartiality in religious questions.

While that attitude is of itself admirable, it does not make the President's over-all position on federal aid to education more convincing, or less illogical. The only relevant stipulation in the Constitution says: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof." If that means that Congress must not finance teachers at church schools it would seem also to mean that Congress must not finance students at church schools. Yet the grandiose federal scholarship program now proposed would permit recipients "to attend the college of their choice." In many cases this would unquestionably be one or another of our excellent church-supported institutions.

As the House Democratic leader, Rep. John McCormack, was quick to point out, Congress cannot support the public school system without "an unintentional effect upon the private school system." The fact that the two have worked together so harmoniously for generations itself suggests that bureaucratic meddling with one is bound to affect the other, and probably adversely. For the ultimate end of governmental intervention in this field is the complete direction of all education by wholly centralized authority.

To raise the Constitutional issue is therefore happily to emphasize its clearly implied intent: Congress shall make no law affecting the conduct of education, whether public or private, sectarian or nonsectarian.



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construction. Provisions to match repayment to tax-oriented depreciation schedules can be included, too. Moreover, Ford Dealers' finance plans offer substantial savings, while at the same time freeing more of your working capital for other purposes.

Your Ford Dealer will be happy to discuss these and other advantages of his Fleet-Fitted financing for any of the nearly 600 money-saving models in the Ford Truck line. Call him soon!

Fleet-Fitted Financing is one more reason...

Why it's good business to do business with FORD

That Ford Trucks cut costs *directly* is amply documented (your Ford Dealer has the facts on file). But Ford's many indirect advantages also bear importantly on your profits. For example:

100,000-mile dealer warranty (or 24 months) on Super-Duty engines. On 401, 477 and 534-cu. in. V-8's, Ford Dealers will replace all major engine parts (including block, heads, crankshaft, valves, pistons, rings) found to be defective in normal service. Warranty covers full cost of replacement parts for 100,000 miles or 24 months, whichever occurs first... full labor costs for first year or 50,000 miles, sliding percentage scale thereafter.

12,000-mile dealer warranty (or 12 months) on all 1961 Ford Trucks of any size. Each part, except tires and tubes, is now warranted by your dealer against defects in material and workmanship for 12 months or 12,000 miles, whichever comes first. The warranty does not apply, of course, to normal maintenance service or to the replacement in normal maintenance of parts such as filters, spark plugs and ignition points.

6300 Ford Dealers, including 273 specialized heavy-truck dealers, keep your trucks ready to go wherever they go. From coast to coast, fast Ford service—gas and Diesel—is always close at hand.

Replacement parts depots at 26 carefully selected locations across the

country quickly supply needed parts from ample stocks. Ford's entire supply system is geared to give you faster service and to reduce costly down time... *wherever you are.*

36 District offices are staffed with sales engineers and service specialists on call for special truck problems. Working with both dealers and customers, these experienced truck men represent another extra step Ford takes to secure your continued satisfaction.

Rigid quality controls give you the strongest safeguard of truck quality ever. One tangible result of these new and uniformly high standards is the liberal new warranty program. Other results: extended durability and performance, lower operating costs.

FORD TRUCKS COST LESS

TAXES AND SPENDING CAN BE CUT

BY REPRESENTATIVE BRUCE ALGER

IN PUSHING AHEAD to new legislative frontiers, the government should offer greater opportunity for the individual to improve his own condition with his own resources.

We can meet not only our goals of more economic growth and employment, but also the threat of communism, by:

1. Recognizing the need for major reform of our federal tax system.
2. Adopting a tax program which will strengthen our capitalistic private enterprise society.
3. Enlisting the support of 60 million taxpayers in this reform through a widespread awareness of the potential savings as well as tax reduction involved.

Faults of tax system

The present tax system stunts personal ambition by denying just rewards for individual effort.

Through capital-starvation, it has made the American dream of going into business for oneself more difficult to fulfill.

It has reduced the job opportunities which only a free flow of investment funds can make possible.

It has helped to feed inflation by smothering the rate of savings and destroying accumulated capital.

It has slowed the rise in living standards which depends on capital formation.

The cause of these national blights is the involuntary diversion of savings—the only source of private capital—from their natural flow toward urgently needed investment

fund reservoirs to the federal Treasury.

It is about time that we got tough-fisted about a problem that has consistently resisted solution through a more restrained appeal.

There is no sound reason why we should accept the inevitability of the present tax system.

Even more important, we must be careful that much-talked-of future reforms are revisions that encourage private incentive.

As compelling as are the domestic reasons for tax-rate reform, the situation is even more critical in view of Russia's threat to bury us in a production race.

We cannot win playing it the communist way, the way of government control. We became the foremost nation of the world through free enterprise and individual initiative and we can maintain our position only if we continue to grow through that philosophy.

Soviet planners are aware of the way our tax system is retarding our economic growth and they are banking more on our weakness to defeat us than on their strength.

For more than 12 years we have poured billions of taxpayer dollars into the economies of free world nations—and encouraged huge private investments—in order to build up their supplies of capital and stiffen their resistance to communism. At the same time we have ignored at home the very lesson we are striving to teach abroad, that adequate capital funds are vital to

the stability and growth of a free economy.

Role of businessmen

In an international economic war, the businessman is the front-line soldier because the achievements of those engaged in commercial activities largely decide the rate of our economic growth.

Yet we are, in a sense, demanding that our business community demolish Russia's challenge without permitting it to use the only weapon that can effectively turn the tide. That is a steady flow of investment funds for starting and expanding business enterprises.

We must unshackle the business community so that it can meet the Russian thrust on more equal ground. If we are to show the world the genuine flowering of free enterprise, we must first achieve an enlightened transformation of the tax system.

How can we ever expect to get the recipients of foreign aid funds off our fiscal backs unless we demonstrate, by our own example, that the true path to the full rewards of a free economic system is a sound tax program? Failure in this could mean that we will be committed to keeping recipient nations on American taxpayer-dollar doles from now on.

The most comprehensive program for reform of federal tax rates and methods is now before the Congress in several bills. The legislation is best known as the Herlong-Baker

Taxes and spending can be cut *continued*

bills. My colleagues on the Ways and Means Committee—Rep. A. S. Herlong, Jr., a Florida Democrat, and Rep. Howard H. Baker, Republican of Tennessee, are the chief sponsors. After studying the Herlong-Baker bills I have introduced an identical bill. [In the House each member has his own bills.] The legislation would reduce both individual and corporate income tax rates over a five-year period; defer taxes for individuals on long-term capital gains as long as the taxpayer reinvests his holdings; reduce the rates of tax on estates and gifts, and establish more realistic depreciation rules.

How taxes would drop

The top rate of individual income tax rates would be brought down, by the end of the fifth year of application, from 91 per cent to 47 per cent. The first bracket would be reduced from 20 per cent to 15 per cent and there would be corresponding reductions in all the interim rates.

Let me cite a few examples. The \$8,000 to \$10,000 bracket of taxable income would be brought down from its present 34 per cent to 19 per cent; the \$16,000 to \$18,000 bracket from 50 to 23 per cent; the \$50,000 to \$60,000 bracket from 75 to 31 per cent for single taxpayers.

The top corporate rate would be reduced from 52 per cent to 47 per cent through annual reductions of one point each year over the five-year span. The linkage of the top rates of individual and corporate taxes is an especially enlightened move, since 85 per cent of the total business population is composed of unincorporated firms. In fairness they should not be taxed at higher rates than corporations.

Over five years, a reduction of 25 per cent would be made in the time during which businesses could charge off the cost of depreciable property. Estate tax rates would be reduced from a top of 77 per cent to 47 per cent and the top rate of gift tax from 57.75 per cent to 35.25 per cent. All lower rates of both taxes would be reduced in proportion.

These bills strike at the crux of the tax problem which is the sharp climb in the graduated rates in the

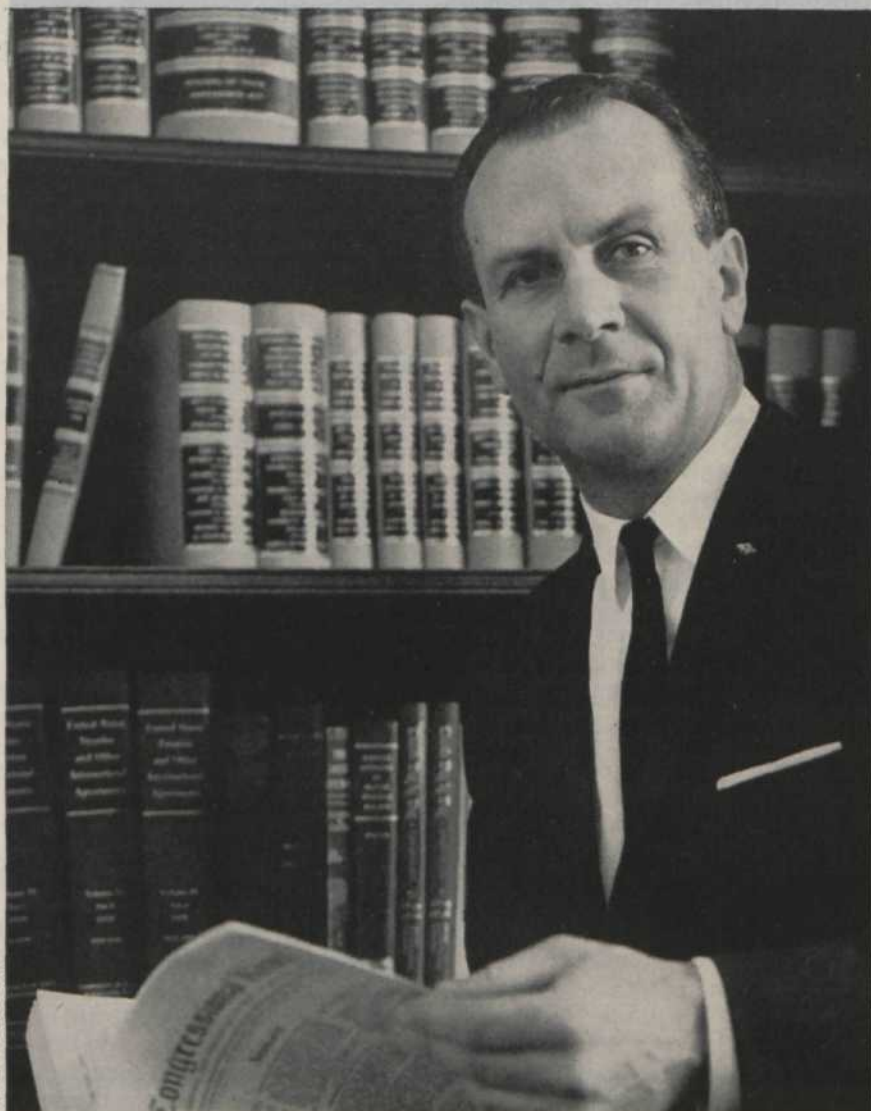
middle income brackets. This is the bottleneck that has slowed the flow of investment funds, especially the risk venture variety, since our capital availability is firmly tied to the rate at which savings can be accumulated.

None can refute that we must look to the savings, principally of those in the middle and upper brackets, for the venture funds to create jobs, start and expand businesses, make products available at

prices within reach. Even though we sometimes forget or turn away from it, every material need, every benefit, every business advance, every rise in living standards has a common progenitor, and that is capital. When tax reduction is mentioned it tends, sometimes, to produce twin fears in the minds of many Americans, not excluding those who appreciate the need for action.

The first of these concerns is based on the apprehension that de-

Representative Alger, the author of this article, is a member of the tax-writing House Ways and Means Committee. He is a Republican from Texas



CARL PURCELL-PIX

ficit spending would result. The second, and allied fear, is for the revenue effect of the reductions.

Our bills have provisions which completely dispel both fears.

Potential for savings

A built-in safeguard eliminates the possibility that the bills will cause deficit spending. This safety valve is a provision that permits postponement of rate reductions in any year in which an unbalanced

budget is threatened. Certainly this should allay the fears of even the most staunch budget balancers.

As to the revenue effect, the authors of this legislation believe that any loss will be more than offset by the increased revenue resulting from the greater economic growth made possible by the unleashing of investment funds.

This appraisal is based on the calculation that each one per cent annual increase in the rate of

economic growth will produce \$1 billion in additional federal revenue. As the revenue effect of our bills would average out at less than \$3.5 billion annually, or the equivalent of a 3.5 per cent rate of economic growth, a five per cent average rate of growth over the next five years would not only offset the revenue effect but provide an excess of \$1.5 billion.

Over and above these benefits is another that could prove to be the most important of all.

This is the postponement feature, which can be the launching pad for the greatest and most dynamic offensive against government waste that our country has ever witnessed.

Over the years the federal government has been growing rapidly at the expense of economic growth, upon which it depends for revenue. This process has gone unchecked because there has been no competing claims for the use of the revenue overlap. Our bills fill this void by setting up an effective counterclaim.

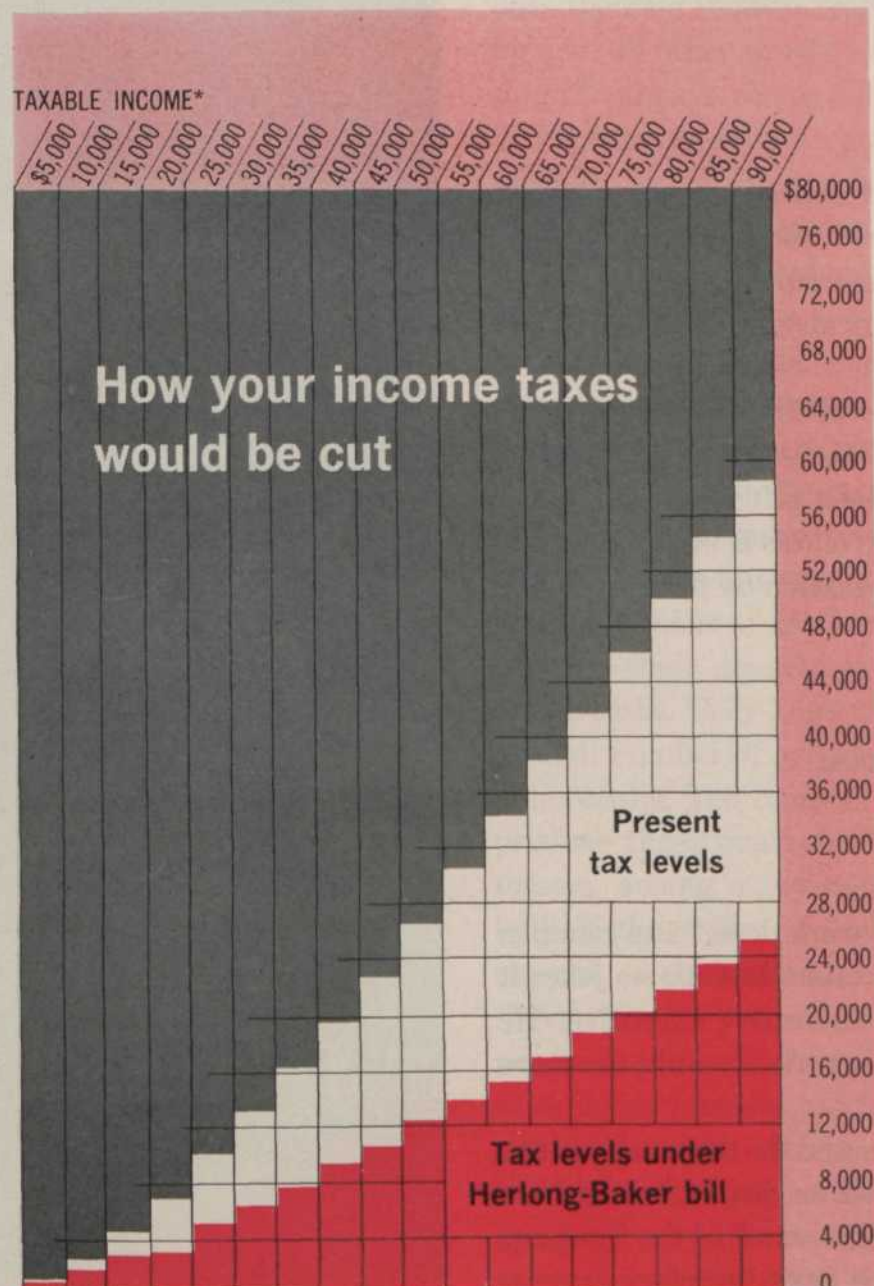
Every one of the country's 60 million income taxpayers would be enrolled automatically as a watchdog of the treasury. Taxpayers are bound to insist that the government exercise every possible economy because their anticipated tax reductions will depend upon it.

When the people have a clearly defined choice between tax reform and increased federal spending, you don't need a crystal ball to predict which they will choose.

The collective weight of this pressure for economy is guaranteed to have a restraining effect on the size of public expenditures. As a congressman, I know that members of both houses will be loath to vote for appropriations that would tip the scale of budgetary balance. The executive branch should be just as fearful.

No one would invite the wrath of taxpayers who did not receive tax reductions upon which they had counted. The economies resulting would in no way restrict military and other essential expenditures.

We have in this legislation, then, dual forces for impressive and lasting public betterment—the urgently needed tax-rate reform and a check-rein on government spending. **END**



*Single Taxpayers

HOW TO BE AN EFFECTIVE EXECUTIVE

Five ways to make better use
of your ability and experience

"WITH ALL HIS ability and experience, why doesn't the boss ever get anything done?" wonders a young engineer. He would have been much surprised to hear the boss asking the same question about him only a few hours earlier.

Able, experienced and hard-working men who fail to get results are not uncommon. This is unnecessary waste.

Effectiveness is not inborn like a gift for music. Effective executives are made. Effectiveness is 90 per cent system—made up largely of concentration on five essentials:

- ▶ To do a few jobs well.
- ▶ To eliminate the obsolete.
- ▶ To know how to spend time.
- ▶ To avoid unproductive decisions.
- ▶ To test ideas.

What results are needed?

"I am so busy I don't get any work done," is a common quip around the office luncheon table. But it's no joke; it is the typical situation of an ineffective executive. He tries to do a little bit of everything. As a result, the more he does, the less gets done.

To concentrate on a few jobs and do them well is the first rule of effectiveness. Most of us can, at best, do one thing well at a time. Yet most of us, most of the time, try to do several. To be effective one must therefore first set

R_x

FOR SUCCESS:

**Focus effort
on
fewer jobs**

**Avoid
unproductive
decisions**

**Eliminate
the
obsolete**

**Learn how
to spend
your time**

Test ideas

priorities: What are the two, or three, or four important contributions I have to make? What are the few which, if done well, will really make a difference in the performance of my department or of my company? What are the many that won't really make any difference, no matter how well they are done? Not to do the latter—no matter how urgent they look—is the secret of every effective executive.

To find these priority tasks a manager starts with the question: What results do we need?

He does not start with concern for the work needed or the skills that go into it. He asks again and again: What does the business require from me and my unit? What does the boss require from me to get the right results in his job? In other words, the question, "Where do we want to go?" always comes before, "How do we get there?"

This approach does a good deal more than bring out the priority areas. It produces another requirement for executive effectiveness: working communications between a manager and his superior. Instead of worrying what to expect from the boss, the effective manager worries over what the boss should expect of him and his unit. This almost guarantees that whatever the unit comes up with will be effective, will be welcomed without any selling, and will make sense to the people who have to use the results.

The accent on priorities applies not only to the work an executive does himself; it applies equally to the work of his department or his business. Effective managers concentrate their department's work on a small number of major tasks. They know that in business, as in all of life, a small number of events account for most of the obtainable results. Ten items in a product line of 1,000 usually produce three quarters of the sales; a handful of customers, among many thousands, usually account for the bulk of the orders; a few workers cause the bulk of accidents, of absenteeism, of grievances.

An effective product policy stresses, therefore, the few products that will bring in bulk business. An effective sales policy stresses the few customers who will produce most orders. An effective personnel policy isolates and treats the few real trouble spots. This applies with even greater force to the products that will produce tomorrow's sales and profits, or to the

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WELFARE PUSH SPARKS

NEW UNION

Cost of two-way drive for security instead of raises will fall on everyone

UNIONS are stepping up a two-pronged drive for more complete and permanent welfare benefits. If the drive succeeds, it will mean increased costs for all employers and more pressure for higher prices to consumers.

From the government the unions will ask increased benefits to be paid for by higher taxes which every business will pay whether or not its workers belong to unions.

From employers, they will ask bigger welfare programs, costs of which must be met from profits or from higher prices to customers.

The goal is to give the worker and his family more security against the hazards of unemployment, disability, old age and death.

The shift in union emphasis from higher pay to more family security was spurred by the combination of rising unemployment and high wage levels. Help for the jobless, the sick and the aged seems likely to have more public appeal than a drive for higher wages—although it may be equally expensive.

Union leaders seem convinced of strong employee interest in and the need for more emphasis on welfare benefits, but employers will likely encounter mixed reactions among their employees, depending on the job situation and outlook in the particular company or industry.

In the opinion of Dr. George W. Taylor, a public member of the President's new Advisory Committee on Labor-Management Policy, a big issue ahead will be how to divide the fruits of the economy between those who are at work and those who are idle.

"The contest will be between the high hopes of those who are working and the fears of those who are laid off," he told NATION'S BUSINESS. "Should the additional money the programs will require go into higher wages for those on the job or into benefits for those who lose their jobs?"

Where wages already are high and the employer has only a little money to spare, employees will likely prefer that the money be used for benefit payments, Dr. Taylor points out.

Employees with long seniority in a stable industry will prefer higher pay to jobless benefits.

Seymour Brandwein, AFL-CIO economist who follows collective bargaining developments in this field, believes that growing experience with employee welfare measures has heightened both employee and employer interest in them.

"Both are aware of their value," he says. "The real issue now is the pace of benefits."

Two kinds of benefits

Employee benefits of government and private varieties fall into two groups:

Those designed to defray all or part of the cost of hospital, surgical and medical care—so-called health insurance.

Those designed to replace loss of income. These include payments to employees when they are not working because they were discharged, are laid off, on strike, sick, injured or retired, and payments to their dependents when they die.

With respect to health and life insurance, the spreading union aim—in addition to the usual ones of increasing coverage, expanding it to include dependents, and shifting more of the cost to employers—is to preserve the protection for the employee when he is not working for whatever reason, but particularly when he is laid off.

Last year's basic steel agreement, following the 116-day strike, extended from one to six months the period during which regular employees retain life insurance, hospitalization and surgical protection following layoff. The General Electric Company went further last fall. It extended protection for a year.

Almost half of the hospital benefit plans regularly surveyed by the Bureau of Labor Statistics continue protection while a worker is laid off for periods ranging from one month to more than two years. Half the plans which provide surgical or medical benefits continue the protection for periods ranging from two weeks to two years. Where the protection is for a lay-off of six months or longer, the employee usually assumes some cost if the employer has been paying all of it, or more of the cost if the employer has shared it. This is also true of life insurance.

Insurance protection for a longer period during lay-

STRATEGY

offs will be discussed in coming automobile industry negotiations. The United Automobile Workers will hold a special convention in Detroit at the end of this month to formulate specific new contract demands. Three-year contracts expire at the end of August.

Jack Conway, assistant to UAW President Walter P. Reuther, told NATION'S BUSINESS that the union will press for company-paid health and life insurance protection during lay-offs for longer than the one to four months common to most of its contracts.

Reinsurance plan studied

The UAW, Mr. Conway says, also is studying the feasibility of a reinsurance plan which would permit a worker to carry his insurance protection with him as he moves from one employer to another. Some pension plans operate this way, with the participating employers paying into a common fund.

More workers also are retaining health insurance protection when they retire. About 40 per cent of plans surveyed by the BLS continue hospital and surgical benefits for both the retired worker and his dependents. The percentage has doubled in five years.

In a recent three-year period, according to the Health Insurance Association of America, the number of policies issued which permit workers to continue their protection during retirement on the same basis as when they were working rose from 24 to 48 per cent.

It is also common to allow a retired worker to convert a group life insurance policy without a medical examination.

The legislative approach to more health insurance is focused right now on President Kennedy's proposal for medical care for the aged under social security, as outlined in the Anderson-King bill.

Unions are supporting the bill, but would like to eliminate the deductibility feature, which requires the beneficiary to pay the first \$10 of hospital costs for each of the first nine days of hospitalization. They would cover the higher cost through higher taxes.

Congress last year enacted a federal-state program for medical care for the aged persons who cannot pay their own way. But union leaders want federal control in this field, just as they want it in two other areas of health insurance benefits for workers under state laws. The other

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UNION GOALS

1. **Unemployment pay**—Federal control, bigger payments, more from employers.
2. **Life insurance**—To remain in effect when unemployed, when retired.
3. **Hospital care**—To cover dependents, continue in effect when laid off or retired.
4. **Sick pay**—Guaranteed income when sick.
5. **Medical care**—To pay doctor bills, as well as hospital costs.





International authority outlines future world trade opportunities

FIREd by an accelerating rate of economic development, a boom in trade is sweeping the world, creating new markets for American goods in both industrialized and less developed countries.

Already U. S. exports are running at a \$20 billion annual rate. This figure should double by 1970, providing a market for some \$40 billion of United States goods.

One factor that should help American traders is establishment of the Organization for Economic Cooperation and Development. OECD supersedes the Organization for European Economic Cooperation, a 1948 product of the Marshall Plan. America's membership in OECD would provide her with access to a forum serving Canada and 18 Western European countries. This forum would help in reconciling differences in trade policies among members of OECD and help prevent discrimination against the United States as a result of emerging trade blocs within Europe.

The U. S. is expected to become a full member

when the organization begins its official life Sept. 30. American participation in OECD has the indorsement of many groups, including the Chamber of Commerce of the United States.

In the aims of OECD a great deal of emphasis is laid on the promotion and coordination of Western aid to underdeveloped countries. The new organization is in this respect far more outward-looking than the OEEC, which was concerned solely with the European economies. Thus, while the precise functions of OECD are not yet fully defined, it could provide the United States with a means of closer cooperation with its European friends in trade and aid.

Surprisingly, relatively few American companies have thus far concerned themselves with international

The author, Geoffrey S. Browne, is Managing Director of The Economist Intelligence Unit of London. He is an internationally recognized authority on problems of world trade.

trade. Some 95 per cent cater almost exclusively to the home market. Often their interest in international trade is purely defensive, trying to meet competition from overseas production, much of it stimulated by American dollars.

No U. S. Administration is likely to be so illogical as to pour out dollars to industrialize other countries and then deny those countries the right to sell in the U. S. Many of the semi-industrialized countries, having satisfied a sizable proportion of their need for manufactured consumer goods from domestic sources, can look forward to increasing their capacity to export.

The U. S. producer can be safe in his own market only if his production costs are more in line with those abroad. This is unlikely to happen for some years. Here's how wages per hour compare at present: \$2.22 in the U. S.; 67 cents in the United Kingdom; 58 cents in West Germany; 30 cents in Japan; and 10 cents in India. It is true that wage levels are only one factor in labor costs. Productivity is another, and the U. S. leads here. But other countries are learning to use American-style equipment and methods to increase their productivity.

There is, therefore, not only the opportunity, but also a need for more American companies to extend their activities abroad. They will find it useful then to consider:

- ▶ Where these opportunities will be found.
- ▶ How to take advantage of them.

The rewards of U. S. enterprise in other countries have so far been worth while. A recent survey showed that 30 per cent of executives of leading American companies interviewed said their foreign operations yielded a return more than double that on investments within the United States. In no case did they say the return was less.

Where opportunities are best

Where, then, are the best opportunities for business expansion abroad? Industrialized countries are other industrial countries' best customers. Exports of U. S. manufactures to Canada, Europe and Japan are 40 per cent higher than those to all the rest of the world.

Western Europe holds the best opportunities for 10 years and more. Its expansion since the war has been faster than in America and, with the impetus given by the free trade areas, it is likely to continue so. By 1970 economic expansion in the countries of the European Economic Community and European Free Trade Area, in terms of gross national product, will almost certainly be more than 50 per cent higher than in 1955. These countries have a population of nearly 260 million with a standard of living already second only to that of North America.

European imports from the U. S. have expanded

40 per cent in the past 10 years, while trade between European countries grew by 100 per cent. The immense intra-European growth of trade is likely to continue for five years. After that, the industrial costs gap between the U. S. and Europe should narrow and the European trading blocs will be more securely established. This will enable them to give more consideration to American pressure for tariff reduction, and a rapid increase in imports from the U. S. will be possible.

The unique American ability to pioneer and market specialized articles will continue to be an important factor. Examples of products in which the U. S. still has a number of advantages are agricultural machinery, chemicals, some types of commercial vehicles, and heavy industrial plant such as steel-making machinery. The need for the kind of sophisticated consumer goods which the U. S. is peculiarly well qualified to supply will also increase enormously with growing wealth.

Prospects for U. S. business in the less developed countries should also be better in the next 10 years. Their vital need is for a rapid acceleration of economic growth to raise their present near-subsistence level of life. This need has now come to be recognized as one of the world's major challenges. Even to achieve an average income of \$160 per capita by 1969 (compared with about \$120 for these countries in 1960 and more than \$2,000 in the U. S.) the rate of growth of the 1950's must be doubled.

This can only result from international capital transfers on an increasing scale. Already there are signs that international assistance will be considerably stepped up in the 1960's. These signs include the doubling of the capital resources of the World Bank, the 50 per cent increase in International Monetary Fund quotas, and the inauguration of operations by the International Development Association, the Inter-American Development Bank, and the European Common Market Overseas Development Fund.

U. S. inability greatly to increase its loans and grants will be more than offset by other industrialized countries, which are now in a position to share more of the burden.

Latin American prospects

The expansion of the underdeveloped countries should therefore proceed at a greater rate than in the past. This is likely to be particularly true of Latin America, which already enjoys the major part of U. S. loans, as opposed to grants (more than 40 per cent of outstanding Export-Import Bank loans are in this area), and which will benefit also from the new program of social development for which the U. S. has earmarked an initial \$500 million.

The painful readjustments (*continued on page 50*)

FIND YOUR KEY TO HIGHER PROFITS

Here's how to
identify and build
on your company's
secret of success

MANY COMPANIES today fear that they have stopped moving ahead. Most find their profits shrinking even when they manage to boost sales. So a big question in U. S. business is: How do we get back our momentum?

Finding out what has made your organization click in the past is the best prescription for keeping up the pace of progress, say consultants who have seen some companies lose their zip without knowing why.

Ask a businessman, "Why do customers patronize you instead of a competitor?" and he may have difficulty answering.

The notion that most successful companies got that way by being well run may be misleading, according to a confidential survey of 20 leading management consultants. Success usually flows from one or two special factors that overcome a host of drawbacks. The secret may be a brilliant innovation or a perfect location. Occasionally it is something as wispy as a glamorous image in the public mind or a stroke of fortunate timing.

In almost every case, the advantage is transitory. Unless it is recognized and consciously revitalized, it will ebb away.

"Often, a firm thinks that running a trim ship is enough to assure progress," says one veteran consulting engineer. "It has an established reputation, a respected trademark, a good clientele. If there is careful attention to details, if costs are cut and good personnel are hired, how can they fail?"

"Well, good, tight administration is fine. It will maximize profits and minimize losses. But big success will usually depend on protecting one element of company personality that extends or adds to the original impetus."

This hard-to-define certain something—some call it the special genius of a company—may be one of several patterns of behavior. It may be conscious or unconscious. It probably originated in the personality of one man, either from his imaginativeness or his bullheadedness.

The most common success factors, the experts say, are four. Ask yourself which has been your firm's specialty:

1. *Expansionism*—A habit of being constantly on the move, a determination to force big opportunities.
2. *Superalertness*—Aggressiveness of the day-to-day, close-to-the-vest variety; exploiting every short-term advantage.
3. *A new slant*—A strikingly original approach to quality, service, price, marketing techniques, or form of distribution.
4. *Identification with customers*—Detection of an unfilled need among a certain class of customers and a conscious program to meet it.

These are four elusive ideas, but they compel careful study.

Look at some examples and see how close they come to your experiences.

The expansionist company

A successful manufacturing company is headed by a man whose restless energy has always made him leapfrog the

present and look for ways to grow. Starting on borrowed capital, the firm began without production facilities of its own, selling an inexpensive product made by an outside contractor.

Most companies would have used the first fruits of success for a small plant to make their own product. This one devoted its earnings to buying out another small firm, and expanding its line.

In the decade that followed, even a momentary leveling out in the pace of growth has been avoided as frantically as most companies would fight to stave off bankruptcy. New products have been added constantly.

Few can copy this company's formula. The progress has come entirely from the personality of a single man whose methods would spell destruction for the average executive. But this extreme example of an expansionist company may help you to see whether your firm has had some of the ingredient in its previous growth. If so, there is danger that a decline in one man's active leadership may leave you without this success factor.

It's unsafe to assume that such a company would, in the absence of its driving force, simply slip into a more normal gear and continue growing reasonably well, according to one expert who has watched several firms of this kind quickly fall apart. A chief executive with this drive gathers around him men of two types: a few who have some share of his own ambition and dynamism whom he holds in line by greater force of character; many more who unquestioningly obey his orders.

If the mainspring leaves the scene or slackens his force a little, the small group of high-powered men often breaks up into individuals who go out on their own and become the toughest competitors for their old firm. The docile ones have no talent for sudden leadership.

So this kind of company carries the seeds of its destruction, unless the old success factor is deliberately replaced with another.

The supernalert company

In 1946, a group of young businessmen formed an export trading company. They appointed agents in many countries and invited orders in an almost unlimited range of products.

In those days of shortage, the problem was to get the goods. Orders for dozens of varied items came in. As each one arrived, one of the partners began contacting every known manufacturer and wholesaler—sometimes getting partial quantities from several suppliers. The firm adapted to new challenges almost daily. When major manufacturers turned down their orders or quoted six-month delivery time, they found small producers who could sell them occasional odd lots.

As old opportunities dried up and new ones opened, these active traders moved with remarkable quickness.

After three years, foreign orders began to slip because many countries lacked dollars and

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Not all
successful
companies are
well-run
companies,
but every
successful
company
has its
own special
quality.

It must
identify
and
guard and
perpetuate
it

HOW'S BUSINESS?

today's outlook

AGRICULTURE

Irrespective of congressional action on the Sugar Act, the American market seems assured of plenty of sugar at relatively stable prices.

Before imports from Cuba were suspended, about 55 per cent of our sugar came from domestic areas (offshore as well as continental U. S.), about one third from Cuba, the rest from other countries.

The Department of Agriculture estimates that domestic producers and processors will supply at least 60 per cent of the roughly 10 million tons needed this year. This level of production would fully utilize existing processing facilities on the mainland.

However, some new facilities are under construction, and present facilities and methods are being improved.

Accumulated free world stocks are adequate to fill the gap in our requirements left by Cuba. About three fourths of the foreign sugar likely to become available would be in countries already holding U. S. quotas and in other Latin American countries.

CONSTRUCTION

Local public housing agencies are putting up more and more housing units.

By mid-1961 an estimated 491,902 units will be completed. A year later the total will be about 521,900. Other units already under construction or programmed will soon bring

the total to more than 620,000 rental units.

Units already built could accommodate one household out of every 40 of the approximately 20 million families who rent.

The ratio of the number of all public housing units to the number of urban area families renting is about one to 26.

Public housing is not restricted to tenants at the bottom of the income ladder. At the close of 1960 it was possible for a four-member family with annual income of \$6,000 to retain occupancy in certain public housing projects.

CREDIT & FINANCE

Businessmen plan to spend three per cent less on new plant and equipment in 1961 than in 1960. In dollars, the total is a fraction more than \$34.5 billion.

A government survey reveals that the decline in investment, which began in the third quarter of 1960, will continue at least through the first half of this year. Business plans for the second half indicate a slight increase in capital spending.

Despite this decrease in investment, manufacturing and trade firms and public utilities all expect to better their 1960 sales performance in 1961. Estimated increases range from three to seven per cent.

Manufacturing firms plan outlays of \$14 billion in 1961—about \$1.5 billion behind last year. Most of this decline will be in the durable goods industries. The petroleum,

Where U. S. gets its sugar



Source: Department of Agriculture

chemical and food industries account for the expected rise in non-durable goods industries. Groups showing declines for 1961 are textiles and paper.

Railroads also are planning sharp reductions in outlays. Their investment will be the lowest in 15 years.

DISTRIBUTION

Creeping costs and clever competition are constantly pressing distribution businessmen to seek new, better, cheaper operating methods.

For instance, a growing number of retail grocery operators are turning to the tray-pack method of stocking their shelves. Tray-pack involves cutting cardboard cases into trays.

It results in faster, neater stocking than the old can-by-can method. The Department of Agriculture says tray-pack stock can be handled in 29 per cent less time than non-tray merchandise.

Thus, the housewife finds fuller shelves on her shopping trip.

The need for such cost-cutting improvements is emphasized by the Super Market Institute's report that average weekly sales of supermarkets opened in 1960 were off three per cent from new-store sales in 1959.

Drug stores, also caught in the price-cost-competition swirl, have made their own operating adjustments.

A survey by *American Druggist* shows that only one out of 10 drug stores in the U. S. today operates

Chamber of Commerce of the United States

on a completely clerk-service basis. Two or three decades ago self-service stores were in the minority.

FOREIGN TRADE

Few problems in the international economic field are as misunderstood as America's balance of payments deficit and its causes.

Some confuse balance of payments with balance of trade, and assume that the U. S. has a trade deficit. This is not the case. Rather, we are exporting nearly \$5 billion a year more than we are importing. Others suggest that the deficit is caused in part by U. S. direct private investment abroad.

The fact is that remittances of dividends and profits from foreign subsidiaries and branches of American parent companies exceeded the outflow of new direct foreign investment in 1960. Moreover, foreign subsidiaries buy substantial quantities of parts produced in domestic factories. They also create foreign markets for other U. S. goods—thus increasing our exports.

GOVERNMENT SPENDING

Although congressional action so far has been confined to the more publicized measures of President Kennedy's 16-point priority legislative program, various committees and subcommittees have been holding hearings and studying the regular appropriation bills.

While the so-called emergency measures will result in substantial unbudgeted expenditures, the size of the potential 1962 deficit will be determined largely by action taken on the revised Eisenhower budget, which originally contemplated a surplus of \$1.5 billion.

After the Easter recess Congress will get down to business on appropriation bills, undoubtedly advised by constituents on matters such as the size of the public debt, the threat of inflation, balance of payments, taxes, and the state of the local economy.

LABOR

Further federal regulation of private welfare and pension funds is proposed by Rep. Adam Clayton Powell, chairman of the House Education and Labor Committee.

The Welfare and Pension Plans

Disclosure Act passed in 1958 requires that detailed information regarding these plans be filed with the Secretary of Labor. It stipulates that the information be made available to all who are covered under the plans. The Secretary serves merely as a custodian of the plans because Congress intended the law to be self-policing. It placed full responsibility for enforcement on the complaints of plan participants and beneficiaries.

Mr. Powell's proposal would require filing of more detailed statements, give the Secretary enforcement powers and provide new criminal provisions making abuses subject to prosecution.

Former Rep. Ludwig Teller of New York, father of the present Disclosure Act, is critical of the proposed amendments. He says, "The present Act should be given a chance to operate before any amendments are passed. There is no basis for reinstating in the law the very provisions which Congress already has rejected. . . . There have been no disclosures of racketeering or maladministration in welfare and pension funds since the law was enacted."

NATURAL RESOURCES

There are increasing signs that the Administration will use pump-priming of the economy as justification for increased federal spending in the natural resources field.

The Forest Service is planning an elaborate program of federal aid to small woodland owners. The program would involve direct subsidy, cost-sharing, technical assistance, marketing assistance, price reporting, formation of cooperatives, credit extension, federal forest fire insurance, purchase of private lands, and built-in controls guaranteeing performance by the private owner. Estimated cost: \$421 million.

In the domestic mining industry, proposals include a lead-zinc stabilization bill. The government would pay small producers of lead and zinc the difference between the market price and a stabilization price.

President Kennedy, in his natural resources message, urged a multimillion dollar program of public works to develop water resources for irrigation, flood control, water

supply, and federal hydropower. Pump-priming will be argued, although there is danger that the expenditures will take place after the economy is on the road to recovery and will have an inflationary effect.

TAXATION

Bipartisan support is forming for legislation already proposed in both houses to allow deductions for legislative expenses if they meet the "ordinary and necessary" tests.

A bill introduced by Rep. Hale Boggs, Democrat of Louisiana, is the first of eight similar bills in the House. Senators R. Vance Hartke, Democrat of Indiana, and Robert S. Kerr, Democrat of Oklahoma, have introduced a companion bill in the Senate. Last year, both business and labor favored such legislation. Later the unions cooled to the idea.

Carried to the extreme, present regulations could ban as deductions money spent by the ordinary citizen-businessman in a community zoning fight or, at the other end, by large associations seeking to make themselves heard by Congress.

Feelings will run high on this legislation and Congress will be awaiting cues from back home.

A bright spot for business is the likelihood of depreciation reform.

TRANSPORTATION

Recent studies have put into sharp focus the federal government's role in dealing with the transportation industry.

One result has been a proposal to consolidate the federal transport regulatory agencies. The proposal has some serious flaws.

Each of the regulatory agencies has a separate basic law to guide it. It would be difficult for a consolidated commission to function under several basic laws, and it would take considerable time to draw up one law to apply to all forms of transportation. In the meantime, there could be chaos.

The separate agencies have, over the years, gained expert knowledge in their fields, and a body of court decisions to guide them. Consolidation would sacrifice this experience.

The government's transportation activities do need coordination. This should be obtained through the Under Secretary of Commerce for Transportation.

BE EFFECTIVE

continued from page 35

policies for tomorrow's problems and opportunities.

Off with the old

Less important matters, whether activities or products, always overwhelm us unless we have a system to push them out of the way. A second cause of executive ineffectiveness is lack of some systematic procedure to find out which of the things we do today should be dropped.

Nothing that man does is eternal. Yet manager after manager, business after business, has elaborate procedures to screen proposals for new activities, investments and products—and nothing to find and eliminate the old and obsolete that devour money, time and manpower.

There is a great deal of talk today about creativity as the source of innovation. The only dependable way to get innovation, however, is to make sure that we get rid of the old, the outworn, the no longer profitable or productive.

It is a manager's job to keep his organization lean, young, flexible, and eager for new things. This requires that the old and obsolete be sloughed off. An effective executive does not confuse flabbiness with muscle. This may be called business weight control; and it is much the same kind of a job as keeping down one's own weight.

There is only one way to make sure that the obsolete is abandoned: to put every product, activity and operation on trial for its life every two or three years. The question should be asked periodically, and preferably on a schedule: "If we were not doing this today, would we start it?" If the answer is "no," the product, the activity, the operation is ready to be abandoned. This goes for personnel programs or sales programs as well as for products.

Above all, it goes for research.

"Our greatest weakness," wrote the head of one of our leading research laboratories in his recent annual letter to his senior scientists, "does not lie in picking the wrong projects. It lies in keeping on with the wrong project long after we know that we aren't going to have success or that the success of the project won't make much difference to the company's results."

Where does the time go?

Perfect knowledge of the right priorities will not make a man an

effective manager, if he does not give them the time they need. Most executives know that time is their scarcest and most perishable resource. Most of them have learned that time, in the words of an old railroad executive, "should only be bought in the large economy package."

Twenty slugs of 10 minutes each spent on an important job are rarely as productive as 60 minutes spent in one concentrated chunk. A hundred dribbles of two minutes each, the famous "between two telephone calls" work habit, will rarely produce anything at all.

There is no dearth of literature on how to use time. Whatever is written on the topic is gobbled up by harassed executives. Yet they continue to be harassed, and ineffective.

The reason is largely that few executives know how they spend their time. It is not something one knows intuitively. Guessing how one spends his time is like the familiar game of guessing the number of beans in a jar.

If you don't believe this, jot down how you think you spend your time, put it into a sealed envelope. Then have your secretary run a time check on you for three weeks. But don't fire the girl; it isn't her fault. One expert on the use of time has been doing this to himself every six or nine months for years. The results still make him blush.

There is actually no other way to know how the executive's time really goes than to run a periodic check on it. All truly effective executives do this, one way or another. They constantly check the time they should use for priority jobs against their actual allocation of time.

The head of a large company making precision instruments knew all along that close personal contact with his customers was his first and most important job. He was also sure that he did it. Yet the company steadily lost market standing and profits.

Everything was blamed for this: obsolete products and high prices, the sales department, and poor quality control in manufacturing. Large sums were spent on correcting these things, but the business did not improve.

Finally the head man ran a time check on himself, and found to his amazement that he actually gave almost no time to his priority job of customer-liaison. Subsequently he put in a chief operating officer who tends the store while he spends

three out of every four weeks with the customers.

Sales and profits—with the same products, the same prices, the same quality control—doubled within 15 months.

Executives often make a second major mistake in using time by overscheduling. Their calendar looks like the timetable of a crack streamliner, with every minute accounted for. As a result, their minds are always on the clock rather than on the matter in hand; they always worry about the next appointment. When the unforeseen happens, and it always does, they throw out the really important things, because, as a rule, they are the ones that require the most time.

For an entire year the head of one of the leading insurance companies saw a consultant once a month on the reorganization of his management. He always gave the consultant an appointment for an hour and a half, which was kept to the minute. He got more done in those 90 minutes than most other people do in three weeks. During that time not one visitor, not one telephone call, came through to disturb him.

Finally the consultant asked him why the hour and a half period had been chosen. "I have found 90 minutes the best time for concentration. After that I begin to repeat myself," he said. "Also I leave the fourth half hour always free for telephone calls, visitors and emergencies. Very few matters cannot wait an hour and a half. I can then handle all of these things in one chunk rather than be disturbed by them." He admitted that there were exceptions:

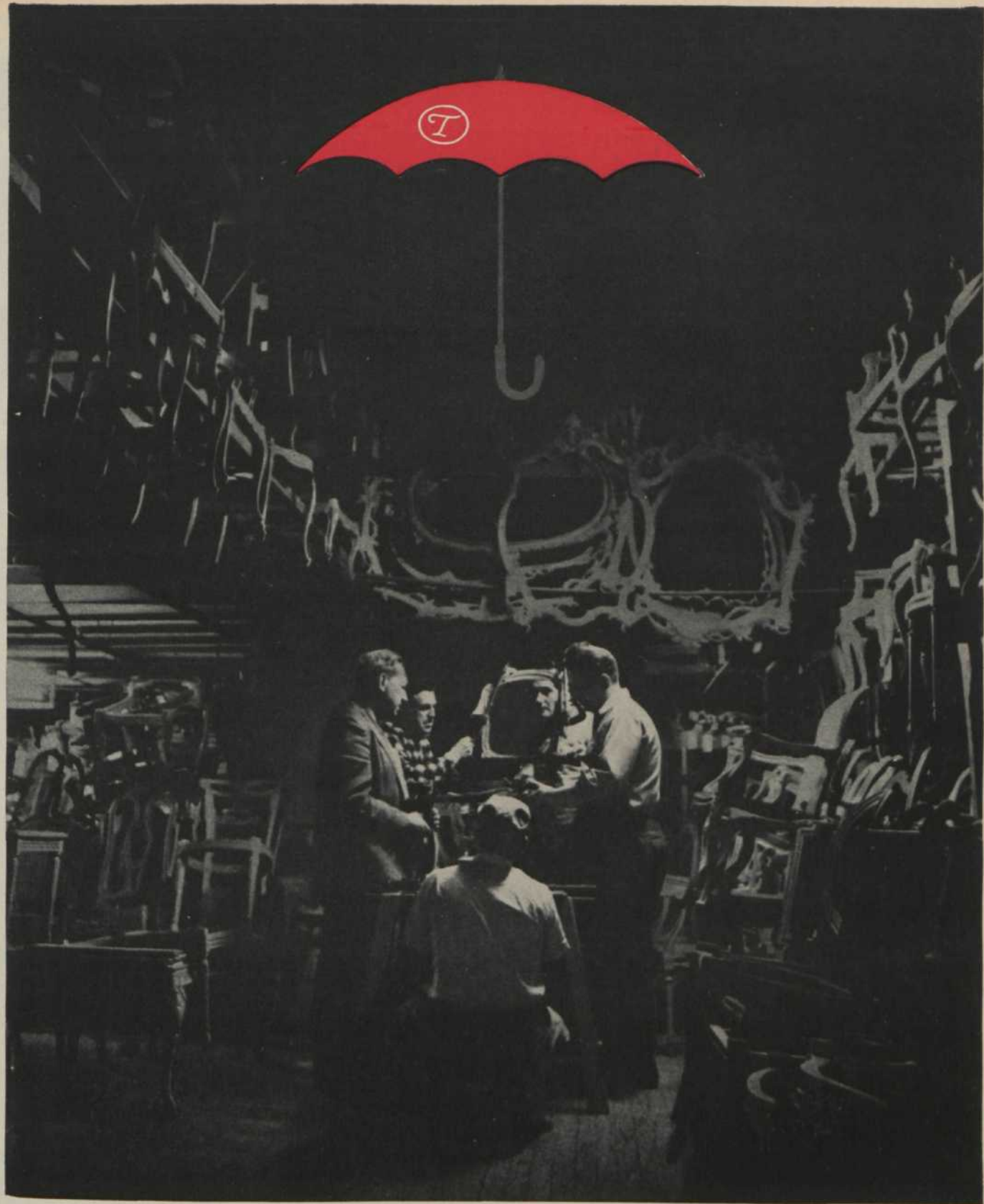
"My wife is always put through right away—and so, I imagine, would be the President of the United States." But as a rule he spent three of the four 90-minute concentration periods in the day undisturbed and on work of high priority.

This is star performance on the part of the man and his secretary. The typical executive is not likely to equal it. But he, too, knows that emergencies always happen and, on top of that, everything takes twice as long as it should. He, too, can leave enough time unscheduled; anyone in a decision-making position should, as a rule, schedule no more than half his time.

What decisions not to make

Most books on management stress decision-making.

Rightly so; as time is the manager's resource, making decisions is
(continued on page 48)




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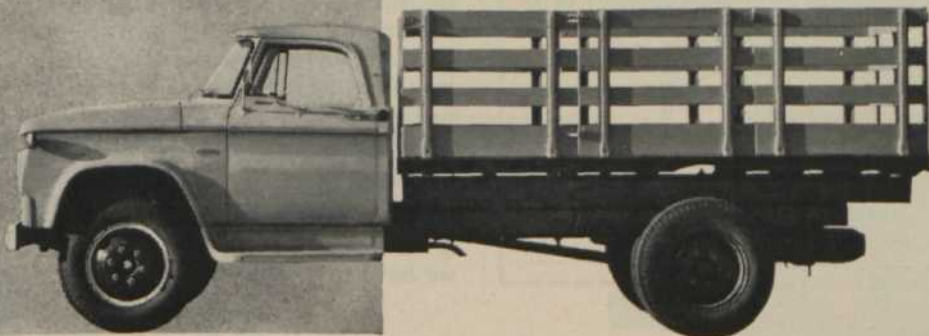
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BE EFFECTIVE

continued

his specific task. But no book stresses decision-not-making. Yet many situations do not call for decisions.

"We have never worked harder on making decisions around here," the head of a large company said recently, "than we did when we prepared to move to our new office. We have never wasted more time and achieved less." Moving to a new office raises a lot of status problems. Who is going to have the offices with outside windows? Who is going to have the office next to the boss?

An effective executive knows that there is no right decision in status conflicts. In fact, no decision is possible. The only thing that one can do is to remove the roadblock to work which every such issue involves. In a status conflict neither party, normally, really wants to gain something for himself. He just wants to make sure that somebody else does not gain anything. A compromise can only make things worse.

The smart thing to do is to lay down a reasonable rule and ride out the storm. In most cases the whole affair blows over.

Status issues will be with us as long as human beings are around to do the work. No matter how much time we spend on them, how many studies we make, and how elaborate our policies, we will never make everybody happy.

Learning to swim on dry land

Then there is a common executive tendency to try to "train an Olympic swimming champion by the side of the swimming pool," to work out details on paper which can only be worked out in practice.

Someone has a bright idea about a new color scheme and everybody argues for hours about it. The only way to find out whether the idea is any good is to rough out what the finished product might look like.

This probably shows right away whether the idea is worth pursuing.

Somebody in a manufacturing meeting wonders whether the process would be speeded up by putting a little more metallic powder into the molds. Instead of running a trial, we tend to argue theoretical physics for hours. We also tend to say, "Let's make another study," even though everyone knows that nothing new can possibly come out of it. It postpones the time when we have to face up to a decision.

Within a given program or a going operation most managerial decisions are reasonably clear. In most cases everyone agrees on a fairly narrow range within which the right decision is likely to fall. Then the tendency is to spend a great deal of time arguing, studying, worrying precisely where within the range the decision should fall. There rarely is much return on this.

As a rule, the correct adjustment can only be made in practice. The old saw of the swimming teachers, "Once you have learned the dog paddle, the rest is just practice," applies to a good many managerial decisions.

Executives who center their work, their worries, their ability on status problems and operations rarely have time left for basic decisions.

One of the grand old men of American industry, a man who built a major company out of nothing, attributes his success to one rule which he, in turn, learned from an early business associate:

"The first two hours of the working day I spend on thinking, talking, speculating about new things, things to do differently. Then I'm ready to work on running what we have, on making the decisions on today's business and its people. Out of these morning hours have come only seven basic decisions in 35 years. But those seven decisions have built the business."

Effectiveness is no substitute for ability. Yet everyone has seen able people who get nowhere. And everyone has seen people of far lesser ability obtain great results. The psychologists have a word for these people—they are overachievers. They have learned to use what they have, and as a result achieve way beyond their abilities.

Unlike ability, effectiveness can be acquired and is within reach of most of us. It is primarily poor work habits rather than lack of ability that make a man ineffective.

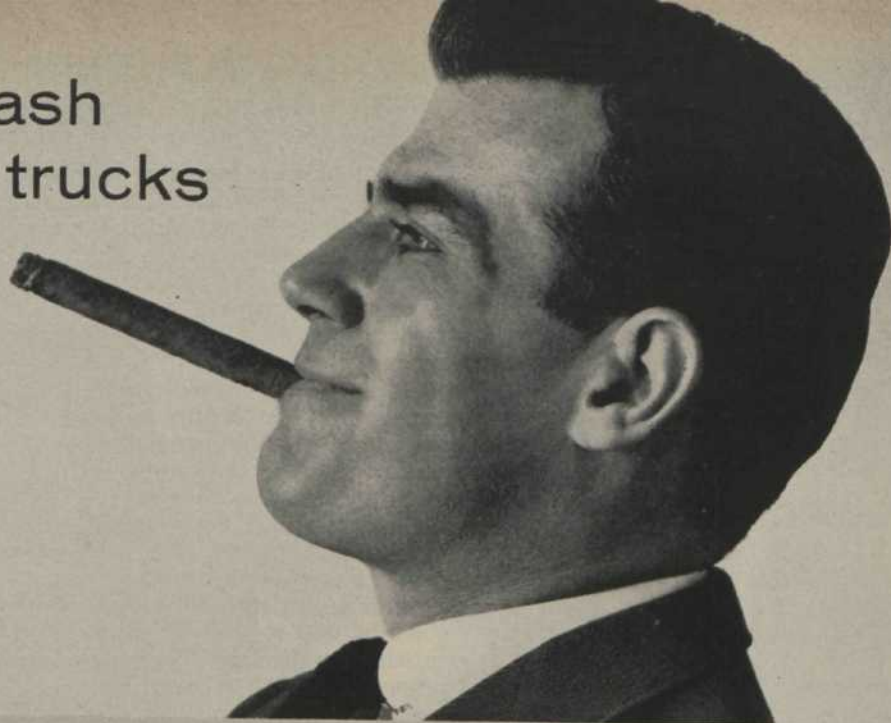
Most books on management define a manager's task as "managing the work of others." But there is really only one person a manager can be sure he can manage, himself.

Unless he manages himself effectively, no amount of ability, skill, experience, or knowledge will make him an effective executive.

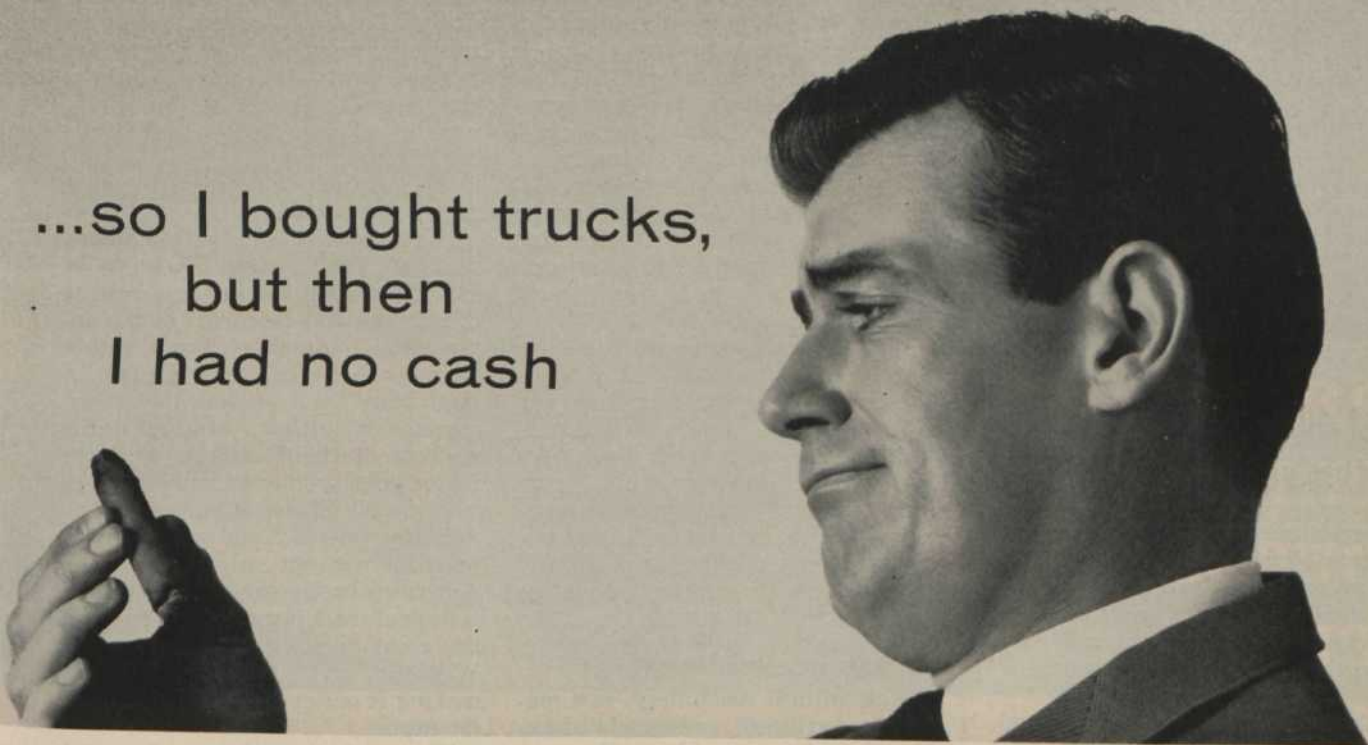
—PETER F. DRUCKER

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\$40 BILLION MARKET

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in many of these countries are nearing completion, and the International Monetary Fund, which largely dictated the terms of the stabilization plans being carried out, has an interest in ensuring that the patients which submitted to its scalpel recover quickest.

Argentina is the most promising example, if the apathy caused by 10 years of barely perceptible economic progress, revolution, and social unrest can be overcome.

Colombia and Peru should also make rapid strides, while recovery from the earthquakes in Chile might provide an expansionary impetus of the kind that recovery from the war provided in Europe. The long-term prospects of Venezuela are also good.

The tremendous expansion rate of Brazil will undoubtedly receive a setback in the next few years, as past excesses catch up with it.

Among other less developed countries, India presents a great challenge and a great opportunity, as does newly independent West Africa. The factor to watch here is whether the problems of federation to provide good-sized economic units will be solved. In this Nigeria has a head start.

The main difficulty with the less developed countries is lack of funds to buy their needs. This lack will have to be met by private and public capital. As this takes place, they will be a growing market for American goods because—until the problem of U. S. payments is solved—the emphasis of American aid will be on loans or grants tied to the purchase of U. S. goods.

Markets now available

Agricultural machinery, raw materials, fertilizers, consumers' durable parts for assembly, and motor accessories should all do well in the next 10 years. Already opportunities are opening up for U. S. business in developing countries.

Recent Yugoslav exchange reforms, for example, make considerable purchases possible, and one of the most urgent needs is to modernize agriculture. In 1961 Yugoslavia will import \$4.4 million of farm machinery, mainly 65-horsepower tractors, corn-pickers and sugar beet harvesters. Exchange is also available for 30 per cent more fertilizer imports, and much more will be spent on fungicides, animal feeds, implements and spare parts.

The developing countries will, however, have scant foreign exchange available for buying finished consumer goods from the U. S. For some years the edge will be on manufacturing facilities set up in lower cost countries or in the consuming countries themselves. This applies with less force to petroleum-exporting countries, but even in Venezuela the days of a wide-open market for U. S. consumer goods, paid for by oil earnings, seem to be gone.

There is another factor which could be advantageous to U. S. exports. The training of foreign engineers and other technicians in America already is making them U. S.-minded in buying equipment. The U. S. has the lead in this and, in addition to university and government-sponsored schemes, there is much that private industry can do.

If the enormous increase in world trade is to be financed, the international financial system must be radically modified. The need for this is now clearly recognized, and it is only open to dispute over how much and by which method world liquidity is to be raised.

The immediate problem is not so much shortage of international money as its uneven distribution among nations. This is most likely to be solved by reorganizing and raising the quotas and resources of the International Monetary Fund, rather than by a rise in the gold price. A gold price increase has the disadvantage of putting a windfall in the pockets of the Russians, who are major gold producers with reserves of some \$5 billion at current rates.

Better international money management will not only increase the American businessman's chances of selling abroad, but also will iron out the great fluctuations that are still a feature of international trade, making it easier to plan production for export.

The actions and intentions of the communist countries must influence U. S. exporters' opportunities.

Communist aid and trade are likely to be beamed at a few selected countries. From 1954 to mid-1959 Soviet, East European, and Red Chinese assistance to low-income countries (which amounted to some \$2 billion, about a quarter of America's contribution in aids and grants) was mainly directed to the United Arab Republic, India, Afghanistan, Indonesia, Iraq, Ethiopia, Yugoslavia, and Argentina. And now, of course, Cuba has been added.

Two things only are certain: First, that communist aid will con-



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\$40 BILLION MARKET

continued

tinue to be directed to countries where there is a possibility of political gain; and second, ordinary commercial considerations will continue to be of secondary importance.

Competition could well become more serious. The recent devaluation of the ruble may have been the first tentative move to make it an international currency with some transferability. Obviously, true convertibility is not yet in sight, but the Soviets could attain thereby a greater degree of flexibility in manipulating their trade.

Soviet bloc imports from the West have been rising fast in the past year, so it is to be expected that they in turn will want to sell more. This could be a serious matter for individual U. S. exporters, although any major export effort by the communist bloc in goods which America is best able to supply is likely to be modified because of the bloc's own urgent need for these goods.

How, then, can U. S. firms take advantage of the great rise in world development and trade? First, they must be truly international-minded. Too often an American company's organization for world trade is an

export department which is a mere appendage to the organization.

Producing and selling for foreign markets is a specialized business. Incomes, tastes, weights and measures, climate, language, power availability, exchange regulations, credit needs, distributive practices, and a host of other complications—including politics and even religion—must be known and handled with courtesy and efficiency.

The use of improved banking facilities is another essential so maximum credit can be offered to overseas buyers of capital goods. This is often of greater importance to fast-developing countries than price. This is a form of competition the U. S. is well placed to meet, by virtue of the Export-Import Bank, particularly its collaboration with commercial banks to finance medium-term contracts of six months to five years.

Then there are several factors which will greatly help the development of U. S. exports in the next 10 years. Chief among these is the gradual lifting of restrictions on dollar imports among the industrialized and industrializing countries of the world. This applies particularly to Europe, Japan, and Australia, where import liberalization last year has already given rise to a remark-

able increase in purchases of U. S. goods. The novelty of these products is often the strongest selling point, and there is no doubt that American technology can do much to overcome distance and tariff difficulties.

Moreover, with growing wealth and market size, the elaborate sales and packaging techniques developed with such success in the U. S. domestic market are hardly matched anywhere else. These, too, will have increasing relevance in the future.

Establishing subsidiaries or licensing arrangements abroad, and obtaining controlling interest in foreign enterprise are alternatives which are obviously important to beat the tariff and to set up a lower cost base for developing foreign markets. But for American manufacturers, other than those producing goods in which the U. S. cannot compete with low cost countries, the question of investment in manufacturing facilities in other industrialized countries needs to be reappraised because:

1. Government encouragement is more likely to be directed to exports of goods rather than of capital, in view of the balance of payments difficulties. Policies toward investing even in Europe are likely to be discouraging. The tax laws which now encourage private investment in developed countries may be modified.

2. Tariffs are gradually being lowered and remaining dollar discrimination abolished, in accordance with the General Agreement on Tariffs and Trade.

3. Costs in Europe and the U. S. will tend to equalize over the next 10 years, progressively reducing the advantage of European production. Even Japan is worried about rising costs and is investing heavily—more than 30 per cent more this year than last—to increase productivity and bring down unit costs.

For producers of goods who decide to manufacture in the less developed countries, to whom the government discouragement of capital export will not apply, it is important to note the countries with which the U. S. has signed expropriation and transfer of profits guarantee agreements under the Mutual Security Act.

The list is surprisingly long, but has some surprising omissions. In Latin America it does not include Brazil, or Venezuela, and in Colombia, Peru, and Chile the guarantee is limited to inconvertibility of investment receipts and does not cover expropriation. **END**

President's views on trade

"Economic progress at home is still the first requirement for economic strength abroad. Accordingly, the first requirement for restoring balance in our international payments is to take all possible steps to insure the effective performance of our own economic system—to improve our technology, lower our production and marketing costs, and devise new and superior products, under conditions of price stability.

"In seeking over-all equilibrium we must place maximum emphasis on expanding our exports. Our costs and prices must therefore be kept low; and the government must play a more vigorous part in helping to enlarge foreign markets for American goods and services.

"A return to protectionism is not a solution. Such a course would provoke retaliation; and the balance of trade, which is now substantially in our favor, could be turned against us with disastrous effects to the dollar. . . ."

—From President Kennedy's Message on the U. S. Balance of Payments and the Gold Outflow from the United States, Feb. 6, 1961



absenteeism

Absenteeism has dropped substantially in plant after plant where Carrier factory air conditioning has been installed. For example, a large electronics producer reports a 20% annual decrease. A leading leather goods maker—22% annually. And a well-known blouse manufacturer—28% during summer months.

But decreased absenteeism is only one contribution of factory air conditioning. Labor turnover also goes down. Productivity rises. And product quality improves. Totally, these gains are usually enough to pay for the system in as little as two or three years!

Will air conditioning pay off for you? Answer the four questions listed at the right. Only two "yes" answers indicate that you can expect substantial benefits.

1. *Does your plant average one or more workers per 300 square feet?*
2. *Do you pay annual wages, including fringe benefits, of \$25 or more per sq. ft. of factory area?*
3. *Does one out of seven of your workers quit every year?*
4. *Does labor exceed 25% of your total manufacturing cost?*

Did you answer "yes" to two or more of these questions? If so, you owe it to yourself to have an air conditioning investment analysis made of your plant. Your engineer or consultant can do this in a few hours by using the Carrier Investment Analysis we will be glad to send you. Write for a copy to Carrier Air Conditioning Company, Syracuse 1, New York. In Canada: Carrier Air Conditioning Ltd., Toronto.

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Executives must give subordinates good example to imitate

EVERY ORGANIZATION needs executives who can successfully absorb and use the wisdom of their superiors.

Nowhere is this more true than in business. Studies during the past decade show that some apparently original types of executive behavior are actually patterned after models. Even independent judgments are nearly always unconsciously conditioned imitations.

There are few original minds. When the original mind does come along to give an organization a new thrust, imitators are required to sustain the change and make it permanent.

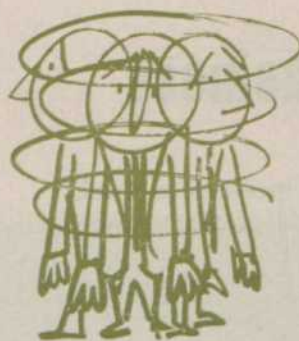
This means that every executive is at once an imitator and a model, a fact that simplifies as well as complicates his behavior.

As a model he must consciously accept that he is being imitated and make the imitating job easier for those under him. Intentionally assuming his role as model will help him gear his behavior to his responsibility. Consequently his behavior is more likely to be good.

As an imitator he must develop the ability to observe, imagine and interpret so that he will choose the best models and adapt their strengths to his use while avoiding their weaknesses.

Since no one is too old or too successful to learn from the experience of others, even the top executive does not escape the need for models.

The executive gets to the top because—probably unconsciously—he copied the proper people coming up. Now that he is there he must



frequently imitate other top executives because he still can learn from them.

In studying executive imitation, we find that the top executive may pattern his actions after a current or late figure in the organization. This model may have been one of those rare innovators who made himself into an organizational habit. He is often referred to as an "institution." The habits of executives for many years after him are much related to his behavior. Some of our institutional models have been Ford, Carnegie, and Rockefeller. More recently they have been Young, Getty and Wilson. Top executives may sometimes model themselves after such historical figures as Caesar, Napoleon, Lincoln and Roosevelt. One corporation president used Herbert Hoover as his mod-

Model confuses imitators if he sends out too many signals to be understood

el. He probably knows more about Mr. Hoover than Mr. Hoover does himself.

Sometimes these models are impractical heroes because, no matter how adequate they may have been in meeting the demands of their time, they may not be equally adequate under our circumstances.

Where character traits fail, precepts ranging all the way from "be firm but fair" to "mystery builds respect," take over to provide the top executive with a wide range of cues on which to polish and refine his executive style.

How to be a model

Most important for the top executive is his role as a model.

Where the executive does not intentionally play this role, there is no certainty that others are patterning their behavior after the best he has to offer. Too much is left to chance.

Being a good executive model is not easy. Ideally, an executive model is a kind of organizational magnet who attracts others to him as a source of knowledge, skill and support and who sends out reliable signals or cues as to what is to be imitated. Many top executives are negative models, whose behavior no one feels the need to imitate, or whose cues tell only what not to do. To become an effective, positive model one must arouse the subordinate's imitative urges.

In practice this requires that the executive have the ability to excite or to make stimulating and fascinating his various responsibilities. He makes a game out of being a boss. Not everyone has this ability to excite and many who have it have not developed it well, perhaps because of the absence of good models in their own lives.

In any case, having a conspicuous and engaging personality after which to model is undoubtedly the key factor that releases the imitative urges within subordinates.

In addition to an ability to excite, a good executive model has judgment. He does not let himself out to individuals who are not fully capable of using his guidance. Generally a good model does not lead imitators into areas that will be risky for them, nor does he expose any of his confidential relationships. He must have a good eye for judging experience and ability so his cues will be effectively translated. His suggestions must be differentiated from commands and his cues must not be so subtle as to deceive nor so transparent as to be overlooked or discounted.

Above all, his cues must guide the imitator toward improved performance. This means that the imitator must be rewarded or at least feel justified for using cues effectively or he will not trust the model for more cues. The subordinate learns to copy the superior whom he is rewarded for copying and not to copy the superior whom he is not rewarded for copying.

This does not mean that the model should be overly apparent in his rewarding technique and thus overemphasize the role of imitating in executive success. Rather he should reward indirectly by giving the executive opportunity to elaborate in his own way upon his imitative responses.

Rewards should not be used to restrict or repress creativity. Rather they should be used to elicit and channel creative effort. In this way the good model reinforces good imitative responses.

After all, imitation is not the goal to which the subordinate's efforts should be directed but rather the means. The goal should be the cre-



Poker-faced model never lets subordinates know what he expects of them



Subtle model leaves his imitators wondering what his hints really meant

COPYING YOU

continued

ative individual. However, one cannot create from nothing. Most people start with the wisdom of others. To this they add their own interpretations and elaborations. In other words, imitating serves to give expression to creativity.

The last characteristic of a good model is his sense of propriety. He gives cues that are always proper and appropriate. Sometimes he guides verbally, or by example, or by precept, or by words and deeds that convey subtle meanings.

Where the model chooses to be indirect, cues are intended to mean more than they appear to mean. Thus, to show dislike for an idea he may ask the subordinate to think about it for a while; to warn a subordinate, he may avoid him temporarily; to show his sense of priority he may practice the art of strategic omission. Rather than pour on cold water, he may contribute a better idea; to avoid a touchy subject he may insistently interrupt. And, of course, there is the executive who remarks, "very interesting," to an idea because he fails to understand it or chooses not to reveal his doubt.

One superior cued his subordinates by looking or talking to the ceiling whenever he wanted to appear objective. In another case, a president was accustomed to show his antagonism by being overly polite. All of which shows that much of what constitutes executive talk must be simultaneously translated into two languages—one apparent and the other intended. The former serves as the vehicle for the latter.

Being indirect is justified by convenience and efficiency. Many things can be said better by innuendo. Some things said directly cause undue anxiety and lower morale.

Probably the most important reason for the subtle approach is that it forces the imitator to develop his powers of observation and interpretation. These qualities are important because, as the executive moves to the top, the area widens where superiors inform without actually using words and subordinates act without actually being told. To develop sensitivity in subordinates, the model must have a creative flair for the unspoken word and the ambiguous sentence.

Keeping in mind the characteristics of an ideal executive model, we can observe in almost any or-

ganization at least four inferior executive model types which should be avoided.

Types to avoid

First, there is the overbearing type. He sends out so many signals that he tends to overload the subordinate's capacity to receive and interpret. Or he predigests so much that the subordinate gets nothing on his own.

Second, there is the poker face. He sends out too few signals so the subordinate is without proper guidance. The subordinate gets whatever he can on his own or by turning to a model other than his own boss. Typically, he does not know how to interpret his boss and thus does not get along very well with him. Sometimes this subordinate becomes so inexperienced at signal receiving that he would not know what to do if a cue did appear.

Third, there is the type who prides himself on his subtlety. He tries to be terribly indirect in his attempt to guide the subordinate. To him, being indirect is more important than being helpful. He may use humor, story-telling, personal confession, or analyze behavior of others to cue in the subordinate. He is potentially confusing because the subordinate can never be sure when a joke is a joke or when his parables are intellectual crumbs from the executive table top. He never seems to make a point. Of course, this type is potentially desirable because he does not use his authority bluntly. His problem is his excessive subtlety.

Fourth is the reprimander. He cues in the subordinate after the problem has been resolved or after it has erupted. He makes the subordinate wish that he had known sooner what he now knows too late. This type is seldom appreciated and quickly discounted, perhaps somewhat unfortunately in that hindsight is still important to executive success. However, a proper attitude is needed to teach the subordinate by his own mistakes.

These tendencies to cue too little or too late are common when the relationship between the model and imitator is too distant or ambiguous. That is to say, the model is not in enough contact with the imitator. Participation is vital to assuring that the model is cued to the needs and responses of the imitator.

Of course, imitation may occur even if the boss sits on a high perch relatively inaccessible to the subordinate. Generally, however, short or inadequate contact seems likely

to favor imperfect transmission of a trait from model to imitator. Protracted contact seems to favor the learning of difficult responses.

Although isolation may prevent imitation, contact does not necessarily guarantee it. One may have extensive contact, for example, with the poker-face type without becoming attracted to him as a model.

In his contacts with the imitator the model may sometimes exaggerate his behavior so as to present a clear image of proper behavior. In any case, he must exude the skill and confidence necessary to elicit imitation.

In the autocratic era when the subordinate was expected to do what he was told, distance seemed justified. However, the concept of an ideal executive is different today. He is expected to act without having to be directly told. This new ideal places a high priority on informal interaction that encourages imitation, but which falls short of outright commanding.

In their attempt to go along with the present-day tendency of narrowing the authority and status differences between superiors and subordinates, many executives have acquired the bad habit of too much cuing of the overbearing type. This is a form of subtle paternalism that sometimes passes as democracy. It is dangerous because the subordinate does not learn to help himself enough.

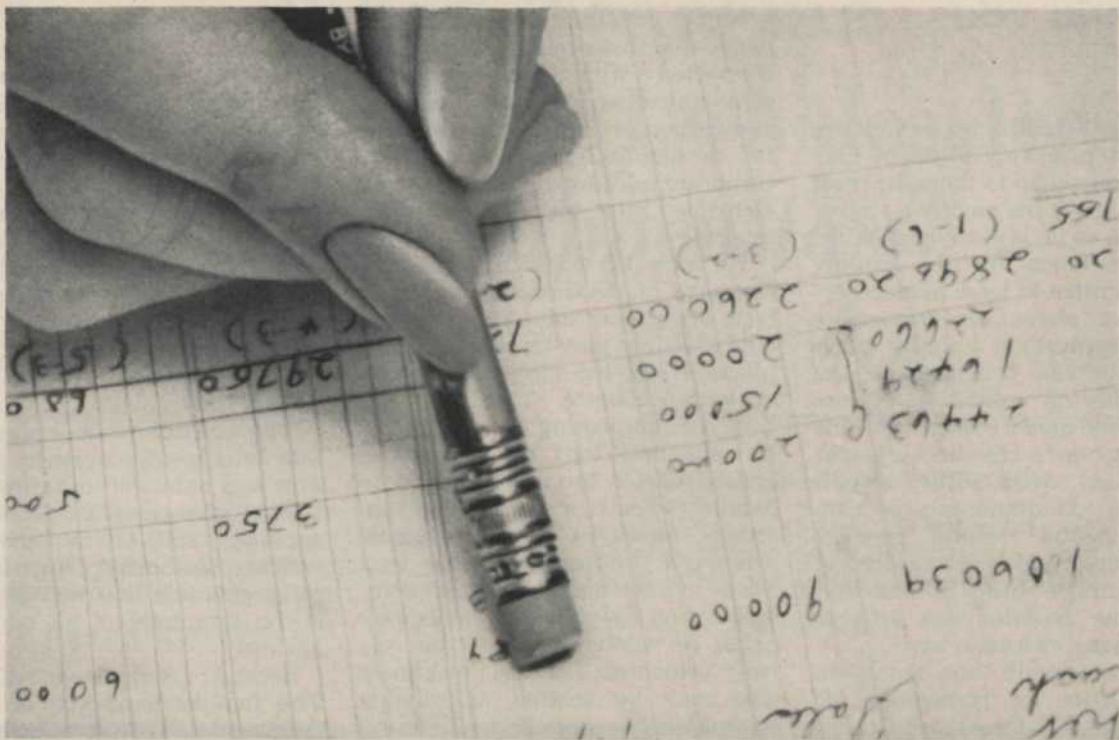
Interaction needed

The real skill of the modeling art is in achieving the kind of interaction that will afford cues that meet the needs and expectations of both boss and subordinate.

This approach places a great deal of emphasis on the subordinate's taking advantage of contacts with his superiors. Good models are of no value unless they have good imitators. The absence of either is almost as bad as the absence of both.

Ideally, the art of imitation starts with an ability to find good models and avoid bad ones; then to acquire an understanding of how problems are dealt with at various executive levels. The good patternner does not copy except in the few cases where it is rudimentary and prudent. His technique is to watch and take as suggestion the behavior of key figures about him.

The basic purpose of imitating is to learn from the experience of others. The good imitator analyzes the actions of an executive who makes successful and profitable moves and decisions that set him



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COPYING YOU

continued

apart. On the ladder up he imitates those a step or two ahead of him. But as he steps up to them, he must be sure to move his models a step or two ahead, so he is always reaching.

It is common for the rapidly rising executive to have models several ranks above his immediate superior because he usually plays for the long run. Furthermore, the rapidly moving executive seldom finds any one model sufficient for his developing needs. His success seems to be related to the ability to pattern either simultaneously or consecutively after several models. Thus, through skillful interpreting and combining of traits from several models, the imitator can achieve highly unique executive style.

Imitation should not result in standardization of personality or little will be left for others to imitate.

It is necessary for the developing executive to understand that the purpose of imitating is not to attain proficiency in one's present job, but to learn how to identify with superiors and become fully accepted by them. It is a fact of executive life that, to become a higher executive, the individual must learn to behave somewhat like one before actually being one. The strategy of imitating is to make the individual appear overly qualified for his present position.

This means that he should imitate the behavior of his superiors that will increase his chances to get ahead. Where the imitating urge is frozen at the present job level, upward movement is generally stopped. Consequently, those who are most likely to imitate are those who have high ambitions.

The belief that the less able, less competent or less experienced individuals are more likely to benefit from imitating is invalid. The expert rather than the novice is able to determine what is important to imitate and what is irrelevant. This explains why the most successful executives are typically most imitative and why the qualities most imitated are generally found among superiors several levels above them.

Of course, as an imitator, the executive needs some judgment as to what specifically to imitate and what not. A great deal depends upon his present stage of development. But a lot depends also upon the requirements that make for success in the organization and the

qualities in the available models. Generally these qualities are those connected with decision-making, communicating, human relations and corporate politics. At each level the developing executive must incorporate additional facets of these elements into his administrative repertoire.

He must know, for example, the language of decision-making, what facts are proper data for decisions, how decisions may be evaluated and released and the methods of dealing with resistance.

In communicating, he must know the channels that are considered appropriate to the message, how to handle difficult or potentially hazardous messages, how to handle privileged information, how and when to increase or restrict communication flow, what elements may never be written or never be verbally presented. Last, he must know who may be treated as reliable communication resources, listening posts, and information diffusers.

With regard to human relations, the developing executive should look for cues that suggest how to handle conflict, avoid negative criticism, make effective use of constructive criticism, the proper distance to be maintained with subordinates and peers, and the manners and attitudes that are involved in interpersonal relations.

Probably the most important item to the developing executive's career today is meeting the expectations implied in the corporate power code. Here the executive seeks cues as to what is considered deferential treatment of power figures, the rules of the game of executive competition, what things are considered important and what are definitely not valued by upper members in the power elite. He should become aware through his models of what areas are open to strong thrust, where team play is needed and expected, and company taboos.

Because the power code is seldom stated or made explicit, it is an area most effectively acquired through imitative skills.

Of course, executive imitation is no sure-fire road to success. Top executives report many pitfalls that must be avoided. Watch out for the superior who treats any imitation of him as an invasion of privacy. The best thing is to allow such a man's behavior to tell you what not to do. If you do take cues from him, be sure you make an extensive interpretation so as not to be caught filching.

Take precautions against imitat-

ing the executive who is not going anywhere. Take from him what keeps him useful, but do not imitate what might be holding him back. Also, be wary of the man who is rising rapidly. Sometimes executives get off to a fast start and slow down later or even fall back. The executive who has made steady but sure progress is generally the model to imitate because he has probably had adequate time to test his own methods of imitation.

Bad habits

The executive who wishes to imitate intelligently must be aware of four bad habits of imitating.

First is copying. The copier is the extended self of the model. He watches authority figures to find some gimmick that he can use. He is the sum total of all oddities he has met.

Second, compulsive difference. The independent type is the Mr. Originality who resists having anyone invade his private personality. He works hard at doing things differently to the point that his pride and happiness rest on originality. We seldom rely on this type to take charge of any program because he will discard the wisdom collected by the organization over the years.

Third, indecision. This type never enters a new experience without detailed, exacting cues. In fact, he must have such a complete run-down that he will forego meeting a problem as long as possible.

One should have a terminal facility which tells him that seeking out additional information will be too costly in time and effort.

Fourth, hero worship. Unlike the other types who imitate for convenience or profit, the hero worshipper patterns after another for the inner satisfaction that comes from vicarious experience. Here the subordinate makes his model out to be some kind of saint or superman. Inwardly the worshipper has a strong need to feel powerful. By identifying psychologically with this hero he acquires some of the model's qualities.

In one corporation a subordinate executive respected the president so highly that he jealously guarded his hero to the point that he dared not copy any of his features nor would he allow others to copy his qualities without invoking disdain.

Unlike the copier who has no respect for uniqueness in others, the hero worshipper does not consciously become a copier because he has too much respect for his model. Oddly enough, over a long period

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COPYING YOU

continued

he usually becomes almost a carbon copy of his hero.

The copier type and the hero worshipper represent common forms of bad imitating habits. Basically they exist because of the tendency to impute a magical quality into imitating. This overreliance may be born out of severe feelings of inadequacy, too much ambition or over-reinforcement of imitative responses early in the executive's career.

Good imitating is a trial and error affair. The imitator tests traits of his model to see if and how they work for him and whether they can be integrated into his social personality so as to appear natural. If they do not work, he discards them in favor of other ones. Imitative responses should be in harmony with the characteristics he has already acquired. This places a premium on self-insight.

Everybody faces the game of choosing the right models and no doubt this game will be played with increasing vigor. Modeling and imitating have been greatly increased in the past decade.

To overcome the shortage of executives, extensive training in human relations, communication, and decision-making was instituted. These programs have made the executive more sensitive and conscious of others. Consequently, they have increased his power and opportunity to model and imitate.

The idea that promising executives can be developed more quickly through rotation has gained in favor. Although frequent lateral assignments expose the executive to more and different job experiences, they also lead to greater opportunity to find models to imitate. Incidentally, this has led to rotating individuals with imitative skills to positions under executives who have superior skills to perform the model's role.

All of this has made possible a growing appreciation among business executives of the crucial importance of models and imitators. A concerted attempt to develop these skills may represent the next move by business to overcome the growing executive shortage.

—EUGENE E. JENNINGS

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NATION'S BUSINESS EDITORS REPORT: Training will cost more

YOU CAN EXPECT to spend more to train workers in the years ahead.

The time you devote to training, retraining also will rise.

Reason: Serious shortage of skilled workers is shaping up. Thousands of good jobs are going without takers while jobless workers lack the skills the jobs require.

Many unfilled openings are in areas of high unemployment. These are regions Administration plans to doctor with federal subsidies.

On scarce list are skilled craftsmen, qualified secretaries, people with ability to handle sophisticated office equipment--as well as engineers, scientists, technicians, able managers.

* * *

SHORTAGE of skilled manpower worries men charting economic outlook.

They warn that unless we train more skilled people we face problem of growing number of unemployable workers.

* * *

FACTS SHOW: Job opportunities for unskilled are shrinking steadily.

More than 800,000 workers currently idle are unskilled. By contrast, only three out of every 100 jobless are professional, technical workers.

Problem is: Unless better job is done in matching worker training with job requirements, number of unskilled jobless will climb sharply.

At same time, demand for professional and technical people will soar--going up by at least 40 per cent between now and 1970.

In weighing economic projections, you'll want to consider these facts:

Labor force this year is expected to grow by 1.2 million--and increase an average of more than that each year through the decade ahead. This compares with an annual average increase of 850,000 in past decade.

Most new work force entrants will be inexperienced. Projection shows 26 million additional young people will be looking for jobs between now and

SPECIAL LETTER: TRAINING WILL COST MORE

'70. To get net gain, you'll have to subtract number who die, retire, leave labor force.

By 1970 U. S. will have a total labor force of 88 million workers--and 92 million by 1975--compared with approximately 70 million today.

* * *

WHAT WILL NEW WORKERS be like? Education level of most will be higher than averages since World War II.

But problem areas will develop. Example: Labor Department estimates that 7.5 million young people won't finish high school in next 10 years. About 2.5 million won't even complete grade school.

This means a growing pool of youngsters ill fitted for most future jobs.

* * *

TRAINING IS KEY to producing skilled workers nation will need. It's also key to avoiding massive federal intervention.

Numerous measures are being recommended by business leaders, unions, government officials.

Among them:

More support for and streamlining of vocational education. More on-the-job training. Improved apprenticeship programs. Closer cooperation between local firms and schools to build adequate supply of skilled labor for future years. Elimination of featherbedding practices which distort labor-market needs.

* * *

WHAT'S BEHIND rising demand for skilled personnel?

In most occupations, industries, the know-how a worker needs is subject to swift change, need for constant upgrading--to keep pace with technological improvements, new products, materials, techniques.

* * *

WATCH FOR Labor Department report on skilled manpower needs. Report will be out about June 1. It will pinpoint need for five million more skilled craftsmen by '70.

It will also highlight trend of young people away from skilled trades, a development which disturbs manpower specialists.

One analyst sums up outlook this way: "Temporary unemployment for some, retraining for many, job adjustments for all."



When an injured employee gets his compensation payments promptly, he feels good about his company. Fast claims action, a byword with Hardware Mutuals, is on record in all states keeping such statistics.

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Looking out
for
your future

ARE YOU A PERFECTIONIST?

If so, your habits can help or hurt your business depending on how you control these characteristics

THE PERFECTIONIST is found in all industries, in small and large companies, and in high and low positions.

He can be a priceless contributor or he can wreck a business. So it is important for you to recognize perfectionist traits in yourself and in your employees and channel this characteristic to its best use.

It will be useful to know:

- ▶ Who perfectionists are.
- ▶ Perfectionists' strengths.
- ▶ Their weaknesses.
- ▶ How to change them if necessary.

Who are perfectionists?

Many men described by themselves, their superiors, their subordinates, or their wives as being perfectionists are not.

A perfectionist is not simply a person who sets high standards for his work. Demanding supervisors are not necessarily perfectionists, nor are those who become absorbed in details.

The perfectionist can be a personable retailer, an intensely disliked autocrat, a complacent assembly-line worker, or a driving corporate president. He can be creator or copier, intelligent or ignorant, satisfied or frustrated.

The key identifying characteristic of the perfectionist is the compulsive nature of his behavior.

All perfectionists compulsively demand a higher quality of performance from themselves and others than is required.

Though tasks vary in the precision and effort required, the perfectionist sets a single standard for all work. Large and small jobs, those requiring low or high accuracy, are given equal attention and preference.

When all jobs are considered equally important and urgent, duplication of effort is likely to result.

One officer of a leading bank would tell his assistant to telephone a person. A few minutes later he would place the call himself to be sure it was done.

He recalculated any financial analysis that passed over his desk. Since all matters had top priority in his thinking, it was extremely difficult for his subordinates to differentiate between really important issues and minor ones. Sometimes his antics amused them, but, more often, they felt confused and frustrated.

How does the perfectionist get the way he is?

Most were exposed to parents whose anxieties about neatness, timeliness and propriety forcefully fashioned the child's character. A sense of responsibility was acquired prematurely.

Teachers like the child who turns in a neat paper, supervisors praise the employee who is on time and proves to be dependable. So, the pattern established in early childhood is rapidly reinforced in school, on the job, and in military service where strict adherence to rules of conduct is rewarded more often than not.

These culturally sanctioned traits are the strengths or overvalued virtues of the perfectionist.

Perfectionists' strengths

The perfectionist is usually dependable and reliable. He can be counted on to maintain high standards and a high degree of accuracy in his work.

He is obedient, requires little supervision, and his behavior is predictable. A mixture of stubbornness and persistence help him to succeed when others may fail.

These characteristics are possessed by many business presidents who have been successful because of reliable service, a uniformly excel-

lent product or scrupulous honesty. Often they have exploited one or two good ideas, solidified their gains through prudent money management, and made a fortune.

Persistence may also pay off in creative dividends. It has been said that Edison experimented with more than 1,600 kinds of material before he found the carbonized thread that glowed in a vacuum. So, if the perfectionist happens to get on the right track, thoroughness can be the road to success.

He usually excels in areas where the demand for precision is high and where he works more with things than with people. In certain areas of engineering and accounting, he can find an ideal niche.

Perfectionists' faults

With his need for precision and predictability, it is little wonder the perfectionist encounters problems in human relations. Although frustrated by man's imperfection, he persists in his desire to make over his subordinates.

He harasses his underlings about trivial matters and rarely praises them. He is a stickler for detail and a people-needler.

He may not punish others. He may punish himself. He frets over problems, and overlooks big issues while pursuing lesser ones. There is a frantic sense of futility in his efforts to do so many things so well.

It can be painful for him to make decisions. He is so eager to be right, so afraid to take a chance, that he delays unnecessarily.

His efficiency ratio—net productivity contrasted with energy and anxiety output—is low.

When the unreasonable demands of the perfectionist's conscience are not met, overwhelming guilt follows.

The prohibitions of his conscience are often directly contrary to the secret wishes of the perfectionist;

he is orderly when he would like to be sloppy, obedient when he yearns to rebel.

Generally the perfectionist's behavior is rewarded up to a certain point, then he is punished.

When he does well in carrying out fixed procedures and his superiors can depend upon him, he becomes a candidate for promotion. There comes a time when he is promoted into a job where he is expected to make, not follow, policy; where he is forced to delegate instead of doing all the work himself, and where the decision-making process demands greater flexibility and ingenuity.

This is when the habits he has

cultivated, the sources of his success, fail him. Assets are dramatically converted into liabilities, and he is unable to function effectively.

By this time, he has a respectable record of seniority and accomplishment. His superiors are reluctant to fire him and yet they are dismayed by his performance. What follows is usually a series of transfers, special assignments, reductions in authority which leave the man embittered and baffled. The blame for such tragedies must be assigned to the executives who did not realize soon enough the real nature of this person's shortcomings. They failed to help him develop the traits required for positions of higher responsibility.

An assistant to a vice president of one of the large railroads turned in such an outstanding performance that he was quickly earmarked for promotion. He had a keen mind, possessed a high degree of social finesse and handled assignments promptly and efficiently.

He was promoted into a general management position which geographically removed him from close contact with the vice president. Four months later, he had a nervous breakdown.

What happened?

With frequent guidance and without direct responsibility for critical decisions, he functioned effectively. But the assumption of weighty, per-

TEST YOURSELF

	Seldom	Fairly Often	Frequently
1 Do you feel that your work standards are lower than others?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Are you late for appointments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Are you described by your subordinates as "demanding"?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Is the top of your desk reasonably clear?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 How often do others refer to you as a stickler for detail?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Do incomplete tasks make you tense?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Do you have your secretary retype long letters when there is one error?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 How often do you really feel that you have done an excellent piece of work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Did your parents put considerable pressure on you to do better in school and in other pursuits?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Do you enjoy routine work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This test was prepared by the author, Dr. Edwin M. Glasscock, a consulting psychologist.

Answers are on page 70.



How To Use Your Top Team More:

In business, as in baseball, some people have higher "batting averages" than others. The more you can use your 500 hitters, the better your chances of success in competition for profits.

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PERFECTIONIST

continued

sonal responsibility paralyzed his power of decision.

The typical perfectionist rarely reaches such a crisis. However, he goes through life seeking goals he can never attain, worrying about problems he can never solve, and never gaining an appropriate degree of real satisfaction from his accomplishments.

Can perfectionists change?

Many perfectionists are able to help themselves, and many can be helped.

One chemical engineer had worked up through plant engineering to department head. He had a reputation for doing a perfect job in anything he undertook. Although

developed his subordinates. He is the most likely successor to the plant manager.

Customarily, when the perfectionist decides to change, he starts by trying to be less thorough and to show less attention to detail in everything he does. This unreasonable initial approach leads to failure.

The approach to problems of personal development often follows general rules of logic; the first step is to break the problem down into manageable units.

The perfectionist who earnestly wants to change should start by reducing his areas of concern. This can be accomplished by restricting or transferring some duties.

He must learn to ignore the inner voice that insists he accept obligations that aren't properly his.

It is necessary to transfer as well as restrict responsibilities. Real responsibilities cannot be disregarded, but they can be delegated. The perfectionist should analyze his work schedule and force himself to turn over as much work as he can to secretaries and subordinates.

One of the most basic problems of the perfectionist is to reevaluate his private golden rule; the one engraved upon his ego: "In whatever you undertake, do the best job you can." It is this insidious rationalization that causes him unmitigated discomfort.

This rationalization buttresses feelings of pride and self-righteousness. The perfectionist asks himself, "Is it wrong for me to do my very best?" A negative answer seems to be absurd.

But is it absurd? A realistic and valid interpretation of the private golden rule would read: "Do the job as well as it should be done."

Instead of approaching every assignment with a fixed, objective standard, tailor work to the objective requirements of the task. Different jobs must be treated differently.

Finally, he must rip away his rationalizations for being hostile and punitive. He must be more lenient with himself and others.

In essence, he needs to learn to practice the art of realistic self-criticism.

—EDWIN M. GLASSCOCK
Consulting psychologist

REPRINTS of "Are You a Perfectionist?" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance with order.

YOUR SCORE AS A PERFECTIONIST

Figure your score on the test on page 69 this way:

Give yourself 1, 2 or 3 points for checks in column 1, 2 and 3 respectively for items 3, 4, 5, 6, 7 and 9. Reverse this scoring procedure for items 1, 2, 8 and 10.

If your score between 26 and 30, you are definitely a perfectionist. A score between 19 and 25 indicates strong perfectionistic tendencies. Normally conscientious people will score between 10 and 18, and if your score is below 10 you are not as serious about your responsibilities as the majority of people.

effective, he was tense, worked excessive hours and did not delegate properly.

The plant manager recognized that strong steps were needed to help the engineer make better use of his talents. He gave him additional responsibilities and put pressure on him to make better use of his senior engineers. He showed him that his standards were unrealistic.

Though the engineer still frequently seemed dissatisfied with his accomplishments, he was praised when he had done a good job. When he spent too much effort on a minor project, even though he submitted excellent results, he was not complimented.

Today, he is much less tense, has greater insight, and has successfully



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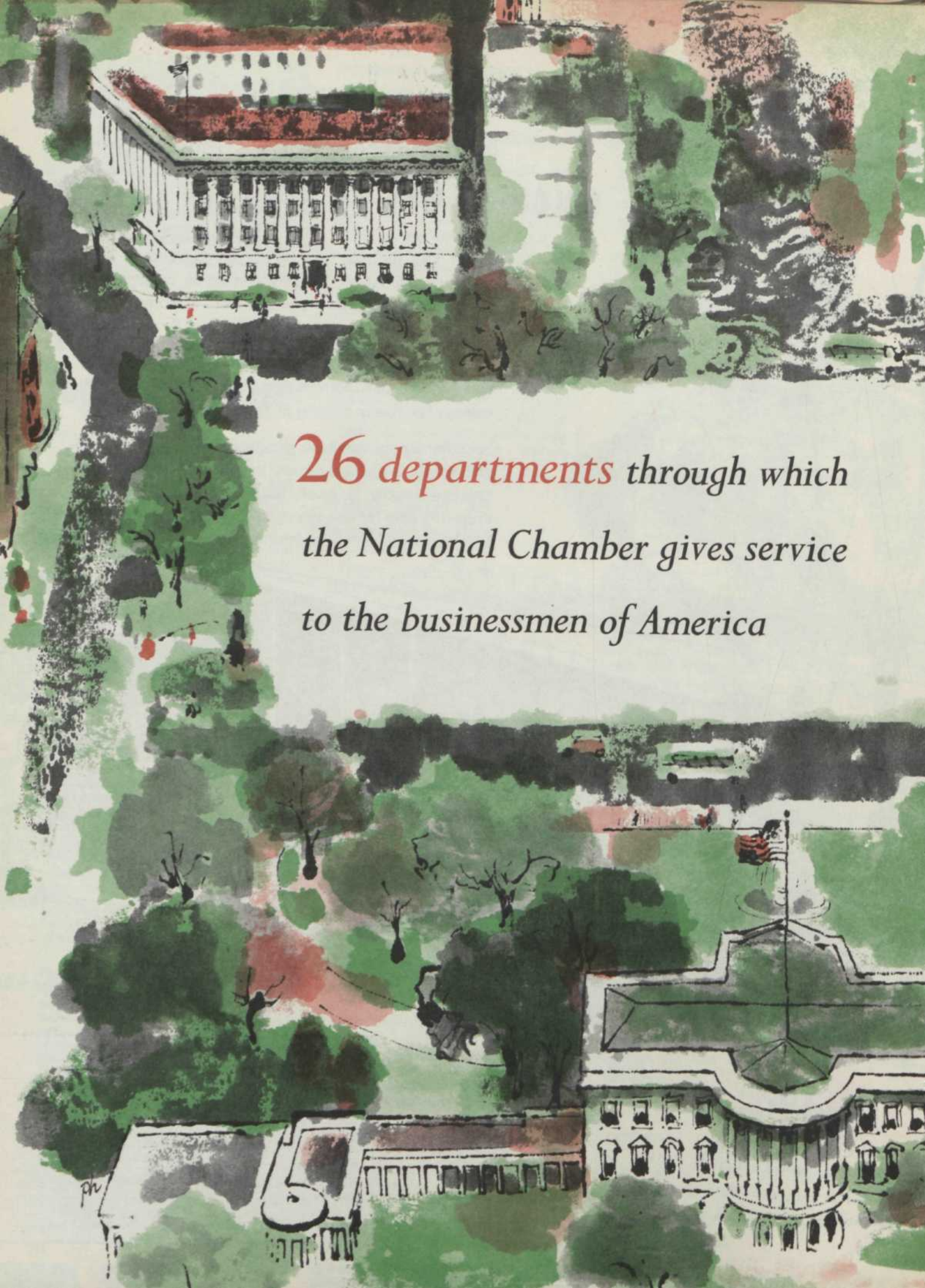
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the National Chamber gives service
to the businessmen of America*

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Research and Communications

Five of the Chamber's departments are devoted to research and communications. These departments search out, analyze and interpret facts about trends and developments in business and government, and disseminate the information to businessmen, public officials, educators, students, editors, writers. These Research and Communications Departments are:

Audio-Visual Services Department	Nation's Business Department
Economic Research Department	News and Information Department
Legislative Department	

Service

Four of the Chamber's departments are set up to give advice, counsel and service to local and state chambers of commerce, and trade and professional associations. These Service Departments are:

Association Service Department	Local Chamber of Commerce Service Department
Institute Department	State Chamber of Commerce Service Department

Coordination

Four of the Chamber's departments are set up to keep the Chamber's activities coordinated—and to keep the organizational machinery operating smoothly. The Coordinating and Operating Departments are:

Business Relations Department	General Services Department
Data Processing Department	Membership Sales Department

Problems, Issues and Policies

Thirteen of the Chamber's departments are called Specialized Departments—and are so named because each one of these departments specializes in studying national trends, developments and events relating to its own particular field of the economy.

Each of these departments carries out a program of work to put into effect the recommendations of business relating to its own field. And each of these departments provides information and service of direct benefit to businessmen. The Specialized Departments are:

Agriculture Department	Insurance Department
Construction and Civic Development Department	International Relations Department
Domestic Distribution Department	Labor Relations and Legal Department
Education Department	Manufacture Department
Foreign Commerce Department	National Defense Department
Natural Resources Department	Transportation and Communication Department
Taxation and Finance Department	

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Chamber of Commerce of the United States · WASHINGTON 6, D C

SPOT AND ENCOURAGE INITIATIVE

Tips to help you keep the spark of leadership alive

WHO WILL BE the most valuable men in your company 10 years from now?

If you find it difficult to answer that question, it's time to take a critical look at your organizational set-up and personnel policies.

Recent research indicates that a surprisingly large number of businesses are failing to identify and develop young managers with the potential for exercising initiative.

Some of these people are casualties of rigid hiring criteria and are lost even before they get on the payroll. Others, having cleared the hiring hurdle, are indoctrinated to the point of intimidation. Some are obscured by overstaffing, which makes it difficult for the individual's abilities to be recognized. Still others are tucked away in unchallenging jobs that either dry up their initiative or make them so dissatisfied that they leave.

The problem of finding men with initiative is serious, because the supply of such people is limited. In the 1960's the number of males in the prime-age working group will dwindle. This means that competition for the most aggressive and talented will be keen and at times ruthless.

To succeed in the competitive period ahead, your

business will have to smoke out men with potential for exercising initiative. Once you have pinpointed them, it will then be necessary to guide them to insure the fullest development of their capacity.

The man you'll be looking for has four characteristics: strong personal goals—he knows where he wants to go; abundant physical and emotional energy; a willingness to take risks—to be different, to take the consequences for decisions, good and bad; and political skill—the ability to influence and manage people.

All companies, whatever their size, need individuals with these dynamic qualities. The currently popular notion that large organizations crush initiative under the sheer weight of size is misleading. The past 60 years have witnessed a rapid expansion of our economy, and in these same years large organizations have grown rapidly. Such growth could not have occurred if size were the natural enemy of initiative.

The fact is that initiative can be encouraged or strangled in any enterprise, depending on the habits of the enterprise. Close study of the following good and bad practices will help you devise more effective methods for building initiative in your organization:

1. Hiring practices

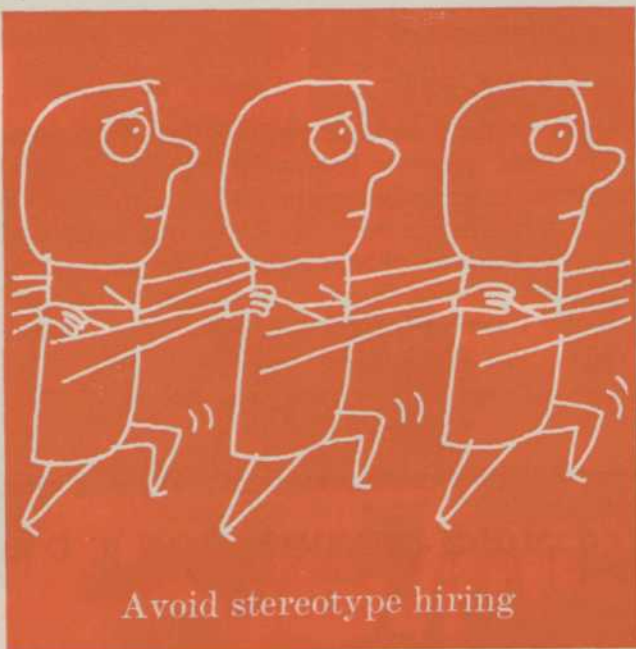
Re-examine your hiring practices. If they are narrow-gauge you may be shunting aside able applicants.

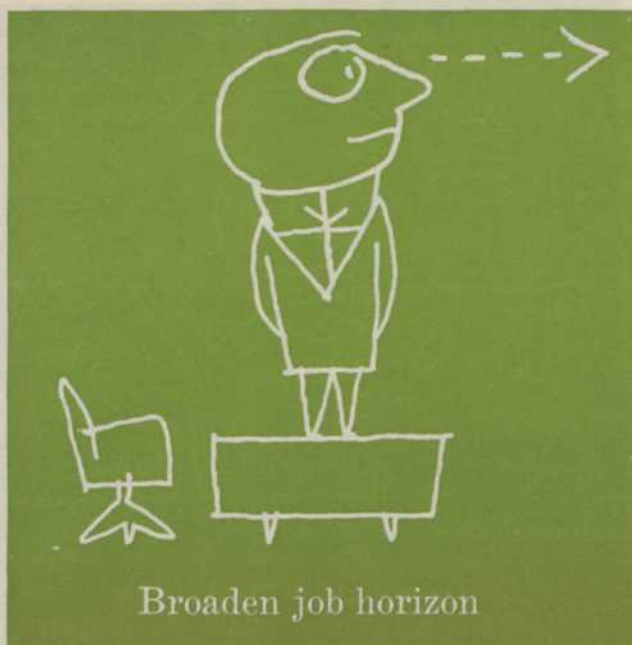
Sometimes hiring practices can keep a company from attracting the kind of people it really wants. The personnel department evolves a stereotype of the young man suitable for the executive ladder. This stereotype is usually a copy of people already in the organization. This is not a good standard, because—by definition—an individual with initiative is going to be somewhat different.

Selection and testing methods also offer little comfort for the company searching for men with initiative. The only sure way that business can get something out of somebody is to let him prove himself by actual work. Only in this way can you learn who can take risks and who cannot; who has the real energies and who does not; who has the strong personal goals and who does not. A man who looks good on paper may look quite different under fire.

2. Too much indoctrination

It's true that a person needs some orientation in order to perform reasonably, quickly and effectively in a new job. But when you teach him the ways of





Broaden job horizon

your organization and insist that everything must be done according to established procedure, you shrink his capacity and willingness to exercise initiative. He becomes leery of bucking the way in which the company's business has usually been transacted. Initiative means to think up new ways, or different, improved ways of doing things.

Remember: The people who really want to exercise personal initiative in any kind of organization are in the minority. This underscores the need for taking pains not to snuff out the spark of initiative.

The best development programs are those in which the management clearly understands the objective. If management doesn't know what it wants to accomplish, the curriculum and the efforts spent tend to get dissipated. The major goal of development programs is to try to broaden the horizons of some of the people who have been caught in routine jobs.

3. Career programs

Keep the way open so you can correct mistakes. Avoid hiring people on a lifetime basis.

Some firms tell a young person, "If you perform effectively you can spend your entire working life with us," then point out that many of the company's benefits are deferred benefits. Pensions do not become the employee's property until late in his career, with many desirable benefits coming only after a man has been with the organization for 25 years.

This practice makes it difficult to correct mistakes in initial hirings. If you get people who have little initiative, you are stuck with them as long as they behave. That means you are prevented from hiring someone else.

In addition, you have really tried—by emphasizing a lifetime career—to discourage them from leaving when, in reality, you both might be better off if they left.

The fact that they get benefits toward the end of their career makes them tend to play it safe, to avoid placing themselves in positions where they

challenge authority to a point where they might have to get out.

Business needs people who are willing to take a stand. A man with his eye on a pension may be unwilling to do this. Many companies would be better off if they gave employees title to their benefits much earlier and encouraged people to leave when they have reached their ceiling in the organization. They might be able to make productive careers elsewhere, and the organization would be able to bring in another person to meet its needs.

Happily, there is a trend in this direction. An increasing number of companies are reducing the age at which various benefits are provided. Some companies, facing a profit squeeze, are accelerating retirements.

The abrasive part of this is that many people look on leaving as a defeat, and deferred benefits make it costly to leave. If one could make the costs of leaving less by making it possible for a man to carry his benefits with him, and if more people began to leave, leaving would no longer be equated with defeat.

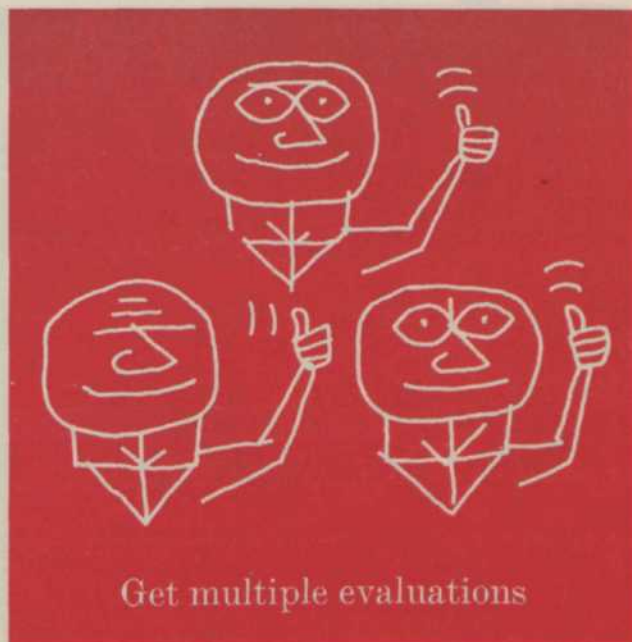
The armed forces let a lot of people out at 45. There is no major stigma to that. It's well understood that many of these people may have a second career. This goes for other sectors of society as well.

4. Watch your people

A business must keep an up-to-date inventory of its most capable people and must offer them challenges and problems to test their capacity for exercising initiative.

Companies with decentralized divisions face the danger of losing track of their most competent personnel. Good men get buried in a subsidiary. Unless an active program of personnel control and constant inspection and reevaluation are under way, these people may not have opportunities to prove themselves and move up. If this happens, their initiative is likely to atrophy.

Current research has shown that some able men who formerly worked for large companies have left



Get multiple evaluations

ENCOURAGE INITIATIVE

continued

research posts to set up their own businesses. Their reason? They thought they would have more elbow room, more scope for development than they would have fighting their way through a large hierarchy.

Many companies have eight or nine levels of supervision. That many layers can be an obstacle to the identification of people with initiative in the ranks.

As you decentralize, there ought to be a parallel move to build up a strong personnel department in headquarters which has the job of staying on top of the people assigned outside.

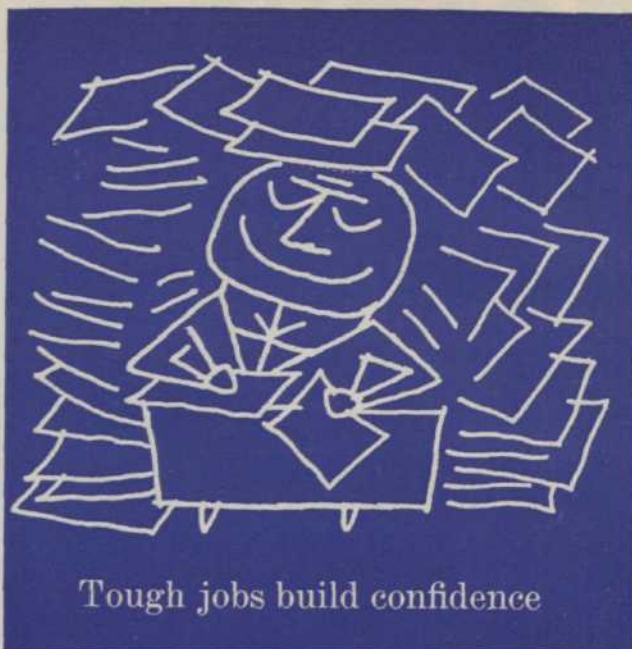
You also need to remind staff executives of their responsibility for keeping track of people in line jobs. As they travel in the field, the marketing man at headquarters, the controller, the vice president should always be on the lookout for bright young people. They should know where potentially promotable people are so they can tap them when an opportunity arises.

They say the late Gen. George C. Marshall's success as Chief of Staff of the Army in World War II grew out of the fact that he spent crucial years at Fort Benning in the 1930's and, while there, made a careful roster of the performance of all the younger officers who went through.

Later on, he knew whom to call upon when he needed to assemble a strong supporting staff. The story is a good object lesson.

5. Permit self-selection

Management has the responsibility of assigning people tough jobs and letting them tackle the work. The only way a person can grow is to gain self-confidence by knowing that he can master difficult assignments. People get an important psychological lift out of doing a hard job well. It makes them more willing to try the next one. Thus, it's essential to keep chal-



lenging assignments moving out to your aggressive young managers and to keep the managers moving on to new assignments when they have mastered the previous one.

Not all the responsibility rests with management. The individual with initiative will often smoke himself out. His own thrust will move him into a position where he is noticed.

Moreover, most people have a fairly realistic view of themselves—and will not overbid.

A pitfall to be avoided is hoarding capable people. Many supervisors will try to hold a competent young fellow in his present job because he has become efficient. Someone else wants to move him ahead. In such instances the long-range good of the organization should always take precedence. If top management keeps an eye on the able and aggressive employee, the dangers of his upward movement being frustrated can be overcome.

An organization with too many people can't promote much expression of initiative, because people will be getting in each other's way and will get lost in the thickets. The tendency to stockpile personnel against future needs costs dearly in two ways: It destroys the potentialities of people who have something in them, because you don't challenge them, and you don't leave enough scope in the organization to stretch good people as far as they can be stretched.

6. Use extra-tough jobs

In any company, extraordinarily difficult, but important, assignments have to be handled. It may be opening a branch in a remote and climatically unpleasant area, or a job involving extended travel.

When such things come up you should pay close attention to volunteers. Willingness to volunteer could be an important clue to the man who really has the initiative you will need not only for the present but later on.

One of the large chemical companies constantly creates conditions to see who is willing to take on

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ENCOURAGE INITIATIVE

continued

extra work loads, and pulls men off their regular assignments to see what they can do with the tough ones. This conscious program of capacity-stretching has paid off. More such programs would be useful to business because the problem is really to differentiate between the great mass of people who are perfectly willing to do a good day's work but don't want to do much more and the small minority who have both the prerequisites and the desire to push ahead; who are willing to offer suggestions about change and take the consequences if their suggestions don't pan out.

In large companies, which often break up a job into many parts, there's a danger that people will fail to see how their relatively small contribution fits into the whole. Continually try to broaden the job of the individual. This has been called work-enlargement. It's a valuable tool. It can help you to avoid the stultification which sets in if a man feels he is trapped.

7. Evaluating performance

A major problem that every organization faces is how to evaluate the work that people do. The problem is made more complex by the fact that much of this work is done not as individuals but as members of a team or group.

How can you get more critical and correct readings on the actual performance of individuals?

At a minimum, you need multiple readings on an individual. If you rely on an appraisal made by one man, you run a high risk of getting a biased evaluation. Two or three people, independent of a man's immediate superior, should be asked to give reports.

People immediately above any given executive are really competing with him. This makes for great difficulties in maintaining objectivity.

Not all evaluations have to be made solely in terms

of the individual. You can evaluate how well the group as a whole performs and, in that way, learn something about the role of the individual in the group. If a man is the leader, this approach gives you a further way of assessing his work.

For instance, if you have several companies or divisions, you can take readings by comparing one with the other on the assumption that if the original distribution of personnel were about the same, differences are due to the leadership.

One of the tough problems in evaluation is that the criteria you use to appraise current performance are not always the only important criteria. Some of the contributions that people make may only show up later in the company's development. For instance, if you are evaluating people in a research laboratory, it is important to give a man credit for what he has contributed to this year's productivity or new products. But the man working alongside him may have broken open a new area that will take two or three years for the company to exploit. You must have the long-range perspective as well as the short-range.

It's of no value for top management to say that it is interested in having a lot of personal initiative shown and then to follow a dull and dreary method of promotion or distribution of bonuses, which fails to reinforce what management says. You can't talk one way and act another and have good staff morale.

8. Keep the ranks thin

Organizations should be kept lean. People should be given more work than they can handle, because this means that the less important work will drop by the side. In the present period, with a profit squeeze which is likely to continue, top management would be well advised to consider ways of thinning out its ranks. This is the best way to create and to maintain an environment in which good people come through fast. But don't go too far; when the howls about the work load become genuine, it's time to stop.

Another technique which business should consider is setting aside the formalities of rank in certain instances to achieve more effective performance and the proper exercise of initiative. For example, there may be times when a particular problem will require the leadership of a man who is in a subordinate capacity, but who has technical knowledge of the problem which exceeds that of his superior. There is no reason on a short-run basis why the subordinate and superior in cases of this kind shouldn't temporarily exchange places. In the scientific field in general, and particularly in university-directed projects, this has been and is being done. Business could profitably imitate the technique.

The author, Dr. Eli Ginzberg, is a professor of economics, Graduate School of Business, and director, Conservation of Human Resources Project, Columbia University.

REPRINTS of "Spot and Encourage Initiative" may be obtained for 10 cents a copy or \$7.00 per 100 post-paid from Nation's Business, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.





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UNION STRATEGY

continued from page 37

two are sick pay under unemployment compensation laws of four states (California, New Jersey, New York and Rhode Island) and workmen's compensation for on-the-job injuries in all states. Organized labor's ultimate goals are federal laws for both unemployment and workmen's compensation. In the meantime, unions will settle for minimum federal standards which states would have to meet.

Permanently and totally disabled workers of any age are now entitled to government pensions under the Social Security Act.

With respect to income replacement benefits, the debate centers around pay while involuntarily unemployed. In this the government plays the biggest role with the federal-state unemployment compensation program, although some employers, particularly in the automobile and steel industries, pay a supplemental benefit.

Unions want federalization of unemployment compensation. Until that happens they want Congress to set minimum standards of two thirds of weekly pay (up to two thirds the state average), to be available for at least 39 weeks.

What UAW is seeking

With employer supplements, the union aim is to get for the unemployed worker 80 per cent of his take-home pay for a full year. This

is what the UAW will likely ask of the major automobile manufacturers. The companies now pay a supplement which, when added to unemployment compensation, gives the idled auto worker 65 per cent of take-home pay (80 per cent of gross pay) for as long as he draws state aid.

The goal is no dream. Many railroad workers now get unemployment pay for a full year under the railroad unemployment insurance law. Raising the combined jobless benefit of other unemployed workers from 65 to 80 per cent of take-home pay will be easier to achieve, unionists feel, if the government's share is boosted through federal legislation.

Income of some strikers is partially restored through unemployment laws which allow strikers to qualify as unemployed. These are the railroad unemployment insurance law and the unemployment compensation statutes of New York and Rhode Island. Under these laws, employers can be put in the position of financing a strike against themselves, since they alone pay into the unemployment funds.

Peter Henle, AFL-CIO assistant director of research, a few years ago forecast many of the trends which followed in employee benefits. He says union objectives in this field really boil down to two:

A medical service program under which a worker can meet all of his family's health needs.

A cushion for workers against lay-off and other emergencies. **END**

Business opinion:

continued from page 12

federal control at any level, we are anti-REA, anti-area redevelopment, anti-federal aid to education . . . we are anti-New Frontier.

Our newspaper is feared by liberal politicians because, as we state regularly on our editorial page, "We subscribe to the belief that freedom is a gift of God and not a political grant."

DON KRETSINGER

The Pecos Independent and Enterprise
Pecos, Tex.

Teaching young men

I am greatly interested in the youth of today and the prospects of future businessmen.

Through my work experience and connection with Junior Achieve-

ment, I come in contact with young men. I have had young men in college working for me and have several graduates in my department.

Congratulations on your article "How to Teach Young Men to Work" [February].

JOHN McDONALD
Production Quality Engineer
Chevrolet
Kansas City, Kans.

Getting our money's worth

"More Defense for Less Money" [March] is a concise demonstration of the possibility of more efficient organization and operation of the Department of Defense.

The reverse side of the coin clearly demands the application of the

old-fashioned business principle of getting your money's worth from military spending.

The answer lies in the development of value-conscious people both within the defense establishment and in industry—people dedicated to the objective of "more defense per dollar."

FREDERICK J. KIRCH
Executive Director
International Management Institute
Plainview, N. Y.

Help for government

It would contribute materially to the efforts of the General Services Administration to develop better supervisors and managers if we could reprint an article from the December, 1960, issue of *NATION'S BUSINESS*.

We refer specifically to the article entitled "Find Indispensable Man—Then Fire Him."

H. RICHARD MCCAMANT
Director of Personnel
General Services Administration
Washington, D. C.

► *Permission granted.*

Excessive Union Power

In "Management's Washington Letter" [March] I noted the article about the power of the unions. According to the article, the unions have established a power much greater than even our government.

I think it is high time that the public woke up to the fact that our free enterprise system is seriously in jeopardy.

When it gets to the point where certain manufacturers are forbidden by their union contracts to move into a lower cost area because of the stranglehold that the union has on them, this is bad enough; but, when our courts even go as far as to make the company move back and require the company to pay wages lost to former employees on account of the move, I ask you, "Just how asinine can you get?"

J. LAIRD HARMON
Manager
Le Mars Chamber of Commerce
Le Mars, Iowa

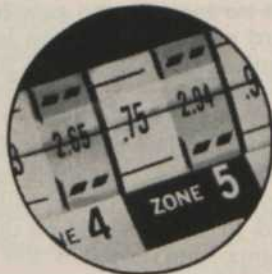
Basic problems

The article "Do We Want Freedom For or Freedom From" by Felix Morley [March] is one of the finest statements I have ever seen of the basic problems facing us. With more of this sort of information the American people would be better able to understand the conflicting trends in our daily lives.

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How youth views business

MANY YOUNG people have twisted notions about business and businessmen.

A national survey of high school students found, for example, that a large number of them:

- ▶ Believe that business leaders use illegal means to gain money and power.
- ▶ Aren't sure what profit is.
- ▶ Feel that the government should make business charge fair prices.

The Purdue Opinion Panel of Purdue University, Lafayette, Ind., made the survey. It has conducted polls of the high school population since 1941. Today's youth, the survey notes, will be a large and vocal part of tomorrow's work force and "will want things done its own way and for its own benefit." The ignorance of many of the youngsters about industrial relations could make them vulnerable to emotional appeals and social pressures in the work setting, the study points out.

A significant finding is that most students don't want business careers. Fewer than one in four high school pupils wants or expects to be a businessman or in business management, even as a salesman or foreman. Less than five per cent want to be production or white collar workers. The majority would like to be doctors, writers, artists, engineers, teachers, preachers or entertainers.

Undoubtedly many of these youngsters will shift their sights toward other career targets when they are older and more experienced. But many will be disappointed. They will carry these thwarted desires with them when they must take other jobs.

Moreover, unless their future education and training deal with industrial relations, economics and the free-enterprise system, young people all over the country will start their careers with mixed-up or misguided ideas about the business community and our capitalistic system.

The national survey (The Panel's

Poll Report 59) found, for example, that some 81 per cent of the students polled felt that business leaders should be treated with "very much respect." However, in answer to another survey question, 78 per cent said they believe that business leaders use illegal means of gaining money and power. Only 58 per cent said they agree or probably agree that most business leaders are interested in the freedom and welfare of the individual.

Three out of four of the high school pupils polled are confused about profits. They defined profit as the money left over after paying wages. Seven per cent believe profit is the "wages of management." Five per cent guessed that profit is "the money allotted for business expense." Only 11 per cent correctly marked profit as a "return for risk-taking."

Fifteen per cent of the pupils surveyed believe "most basic industries such as mining and manufacturing should be owned by the government." Although 56 per cent disagree with this socialistic proposition, 27 per cent said they are uncertain whether they agree or disagree.

Some 26 per cent of the students agree that "most business concerns are out to make all the money they can no matter who gets hurt." One third of the pupils from low-income families agree. Another 20 per cent are undecided but probably agree. The rest disagree or say they are undecided but probably disagree.

Another 25 per cent agree with the statement that "most businesses tend to treat people as impersonal, unimportant units in the organization." Twenty per cent more are in the "probably agree" category.

Two thirds of the pupils indicate they believe seniority rules are desirable in most occupations.

The reaction to the statement "Our democracy needs a business world free from government interference and regulation" was this: 13 per cent agree, 11 per cent undecided but probably agree, 20 per

cent undecided but probably disagree, 55 per cent disagree.

The young people indicate in other ways that they think government should have a bigger role in business. Some 57 per cent said they think the government should require "big business" to charge a "fair price" to the consumer. Another 17 per cent said they are undecided but probably think that the government should require this. Only 11 per cent said that the government should not do so.

More than one third said "yes" or "probably yes" to the question of whether a labor union should restrict the output of its members to make a job last longer.

Some 23 per cent believe the power that business has is "too great." But 61 per cent said it is "about right."

A guaranteed annual wage for all employees is favored by 42 per cent, with 17 per cent opposed. The rest are undecided.

Asked about federal laws governing business, only 10 per cent said they think they are too strict. Another 42 per cent said they are about right, and 23 per cent said they are not strict enough.

Asked about federal laws governing unions, 37 per cent of the students said that they are not strict enough. Only seven per cent said the laws are too strict. Two thirds of the students think, however, that big unions are necessary to bargain with big business, and the youngsters are about evenly split on whether or not unions should have a greater voice in the management of a business whose workers they represent.

The government should advise labor and management what to do in almost all situations when they cannot agree, in the opinion of half the youngsters. Some 34 per cent think the government should make a decision that both management and labor must accept—compulsory arbitration.

Some 28 per cent hold the opinion that a company can be concerned with the welfare of its employees only after it is very successful and has the money to spend on extras.

A little less than half the pupils surveyed agree that unions are a stronghold for intellectual freedom. But 61 per cent think the idea of unionism is in basic agreement with the ideals of American democracy. A little more than half feel that a union can afford to be a truly democratic organization only after it has become powerful enough to bargain effectively with management. **END**

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CAUSE & CURE OF PERSONALITY CLASHES

How to help your managers
get along with each other

"PERSONALITY CLASH" is one of the most frequent reasons given for firings or transfers in business.

Any argument between two people could be called a personality clash. When applied in business, however, the term usually refers to chronic conflicts.

It is as if the two people involved were charged with static electricity. Sparks fly when they come near each other. When they tire of argument, or try to avoid outbursts, they build an insulation of cold formality around themselves. Then neither person can possibly hear what the other has to say, although many words may be exchanged, and nothing the other person says can possibly be right. Each has a rigid view of the other's purposes and

position. Any agreement between them is a truce; neither dares let down his guard.

To the person who must deal with such a clash in management, it often seems that the parties are simply being obstinate.

The reason the problem is difficult both for the participants and those who want to help solve it is captured in the word "personality."

Much of the operation of forces shaping our personalities is unconscious. All of us must balance the twin drives of love and hate. We

The author, Dr. Harry Levinson, is a psychologist specializing in problems of industrial mental health for The Menninger Foundation, Topeka, Kans.

also have the job of living with our consciences, which are colored by the rules of society, the image of what we would like to be, and a built-in self-judging process which makes us atone for our past violations. In addition, we all must cope with external forces. These range from depressions and wars to relationships with other people.

This makes maintaining our psychological equilibrium a complex operation. Each of us has learned to cope with fears, anger, threats, and the like by establishing certain traits and favored ways of behaving. When we encounter someone else who, for his own stability, needs to do things differently, our efforts to make him do it our way threaten his balance and his refusal to do it



tail. He resents being nagged about crossing the t's and dotting the i's. The second man may view the first as lazy, careless and unconcerned.

Neither is going to change his style much no matter what the other man or the boss says. But if the attention of both can be directed to the results rather than the method, both can learn to accept the fact that every person is different from every other person. Each therefore wants to work in the way that is most comfortable for him.

Five accountants worked together in an insurance company. Four of them had time to chat with each other. The fifth did not. Each had to do business with people from other departments. Four saw their people quickly and had time between appointments. The fifth never seemed to have extra time. To the four, the fifth was an eager beaver, trying to drive them as well as himself. To the fifth, the others didn't want to do an honest day's work.

Their supervisor talked it out with the men. He indicated what all of them were responsible for and how their performance was being judged. But, wisely, he added something else. He pointed out what they were not responsible for. This did two things: The four men now knew what they were supposed to do, including the limits set by their boss; the fifth man, overmeticulous and overconscientious, was in effect given permission not to be so conscientious. A pressure he could not take off himself was taken off by the boss.

Where there is a simple difference in work style, it often is helpful to reaffirm the principle that the product is what counts and each person is responsible to his superior for his performance, not to his co-workers. If two people with such wide work-style differences are working on a common task, the opportunity to talk it out with the boss is a first step toward making it possible for them to tolerate each other.

Testing the limits

Anyone who has children knows the experience called testing the limits. The child seems to have a hole in his head. The parents' words flow through as if they mean nothing.

When, in desperation, father raises his voice, the child manages to do what he is supposed to.

Among adults, this experience is somewhat more refined. It is not unusual for subordinates to find various ways to vex the boss. Although the superior is likely to think that such provocations are entirely conscious and deliberately plotted, often they are not. Frequently they occur when people are too free and the boundaries are not clear. A person may in effect be asking his boss to take a stand so he can know to what extent he can depend on his boss for stable controls.

Moss Hart observes in his autobiography, "Act One," that the only bad behavior he ever witnessed in the theater was "that ghastly moment when a star or a cast of actors became aware that their director was not in control of either the play or themselves. It is then that temperament sets in. . . ." Mr. Hart suggests that temperament is a mask for panic which results when there is not a climate of security and peace, and there is neither security nor peace when the director does not assume and maintain iron-clad control of the play. Much the same could be said for a business situation.

This is not to say that democratic management is a failure. Rather, even democracy needs controls to prevent anarchy.

When a person is constantly demanding time, privileges and protesting that he is not being given enough freedom, when he apparently is trying to provoke the boss's anger, it may be time to start making demands and requirements of him. The rules may have to be restated and expectations strongly reinforced. A firm, consistent attitude, far from threatening people who are testing the limits, gives them considerable comfort and lets them know the boss is indeed a boss.

Inability to let go

This is a crude way of characterizing an experience which occurs frequently in two kinds of situations, both having to do with succession. One situation involves continuing hostility between a man who is about to retire and the man he is

our way threatens ours. What seems like rigidity is an effort at self-protection.

Efforts toward solution must be directed not to the clash itself, but to relieving the underlying need for defensiveness.

Examination of a few such situations offers some clues to the reasons why they occur and some ways to alleviate them.

Different personality styles

Perhaps the most common problem occurs when two people who must work together go at their job in quite different ways. One may be casual and the other meticulous. The first is driven to chronic irritation by the second. He cannot understand the concern for petty de-



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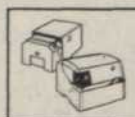
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PERSONALITY

continued

supposed to be preparing to take his place. The second situation involves a man who has been promoted but still has control over his former job, and the man who succeeds him.

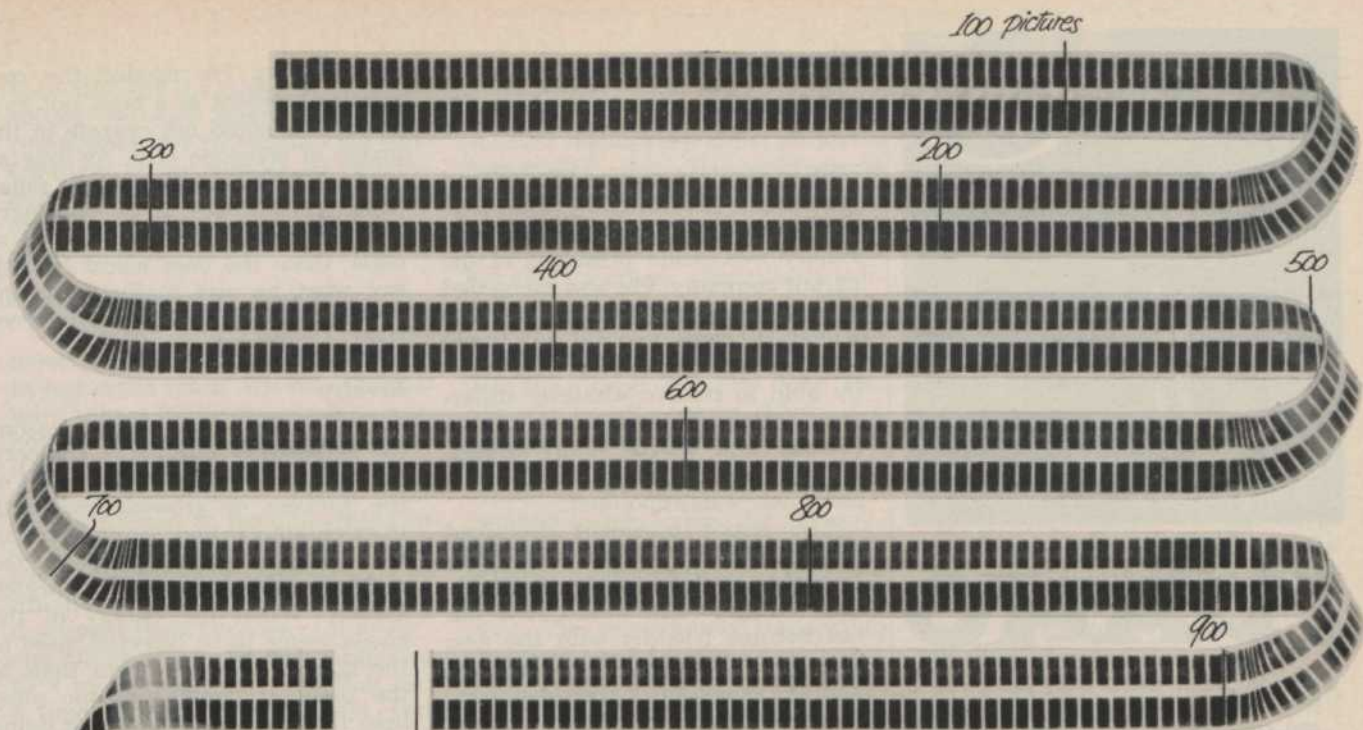
Prospective retirement is, of course, fraught with many fears and anxieties. When a person is asked to train his successor, there is a finality to the prospect of retirement. It can no longer be avoided by trying to forget about it. A prominent executive who refused to choose and train a successor reflected the pain of the experience: "I can't stand having somebody like that around, knowing every time I look at him he's waiting for me to die."

A typical problem occurred with the head of a manufacturing department of a medium-sized company. He repeatedly postponed selecting and training a successor. When his superiors insisted he do so, and helped him find a suitable understudy, he gave the new man no work to do. The newcomer was soon complaining to others, aggravating the conflict.

A typical problem usually includes a typical mistake. The responsible vice president dismissed the problem as a personality clash, leaving it to the two men to settle their differences. But they could not do so. The manufacturing head saw his assistant as a threatening rival whom he would not strengthen in any way. The assistant saw his boss as one who could not delegate any responsibility. The problem dragged on for six months and was brought to a head when the assistant offered his resignation.

At that point the vice president intervened. When he began to understand the reasons underlying the conflict, he talked with the manufacturing head. He pointed out that, although he could understand the man's feeling about retirement, the prospect was real and a successor would have to be trained. Together he and the manufacturing head spelled out what the new man would have to learn and the steps in which he would have to learn it. A timetable was arranged by which the manufacturing head would give up parts of his job. Once the reality of the situation was firmly defined, it became a factual starting point for both parties.

The manufacturing head still had his negative feelings, but his unrealistic method of coping with them had to yield to the responsi-



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PERSONALITY

continued

bilities required of him. The second situation is illustrated by what happened when the president of a subsidiary was made president of the parent company. He was succeeded in the subsidiary post by a close friend. He could and did talk freely with his friend and they were readily able to resolve whatever differences arose. They saw each other socially and shared many experiences. Then the friend died, and a new man was appointed.

The senior president described his relationship to the subsidiary president as a personality clash. He said that, try as he would, he could not become friendly with the new man. He felt less and less in touch with the operation of the subsidiary. The subsidiary president seemed constantly to question the policies of his superior. Differences between the two became so unpleasant that both preferred to avoid a meeting.

Those who believe the job of an executive is to make quick decisions

organization. He needed the corporate president as a boss, not as a friend. He could not operate in the image of someone else. As long as his boss tried to make of him something he could not be, he was angry and resentful and the two were at odds. Once the boss heard himself say what he was really doing, he could see the situation in a different light.

Rivalry

One of the more evident reasons for personality clashes is competitive rivalry. While rivalry is part of the process of growing up, both from childhood and through executive ranks, it cannot be permitted to become destructive to the organization. When the energy of the rivals seems to be directed more to the quarrel between them than to the tasks at hand, someone must help them see what they are doing and redirect their energies.

Two men who had worked together as subordinates became supervisors of the same activity in two different divisions of a company. A strong feeling of resentment cropped

Shaping of personalities is unconscious

We must balance
the twin drives
of love and hate



might well have fired the president of the subsidiary. Any successor, however, would have had the same experience.

The senior president presented his problem to a friend. Closer examination of the situation disclosed that he could not let go of the subsidiary he had once operated. He regretted that he was no longer as close to operations as he had once been. He tried to remain on intimate terms with operations through the subsidiary president. As long as a close friend headed the subsidiary he could do so. But the new man needed freedom to operate his own

up between them. This created difficulties where their work overlapped. In addition, their subordinates chose sides, giving their primary loyalty to their respective bosses at the expense of the company.

Even when the overlapping areas were redefined, the competition continued and the friction between the staffs remained. The superior of the two men first talked with each separately and then both together. He pointed out the cost of their competition to the company. He helped each man express as much of his feelings as he wanted to express to the other. Then he asked them how

they thought the problem could be solved. As each heard the other's complaints and recognized his contribution to the conflict, he became more willing to work toward a constructive solution. This willingness in itself began to ease the tension.

Severe personality problems

An advertising manager had moved up rapidly in his company in just eight years. His behavior toward others in the organization was not pleasant, however. He viewed himself as superior to them and made no bones about telling them so. He refused to have anything to do with his business associates off the job. His superiors were aware of his difficulties in getting along, but dismissed them because of his obvious talent. When he was promoted to a more responsible position, for a time his behavior improved, and his job performance was excellent as long as he was working on immediate tasks.

But even the promotion began to pale and he was soon criticizing his superiors. He submitted extended written questions to them about political and social problems which had nothing to do with his work. He assumed authority which was not delegated to him and demanded increasing time from his immediate superior. This behavior resulted in frequent showdowns and, finally, a transfer. The company was still reluctant to lose his talents. But transfer rarely solves such problems. Soon his new boss was closing the office door to keep him out, and complaints began to come from other departments that he was intruding in their activities.

When the problem was discussed with him, the manager denied that he was creating any difficulty and felt that any differences with his superiors could be resolved by their joint discussion. In desperation, after repeated attempts to reach other solutions, his superiors finally let him go. They felt, however, that they had failed because they thought they should have been able to use his talents and resolve his personality clash.

This example highlights the fact that when a person has difficulties with almost everyone with whom he comes into contact, and these difficulties are chronic, his problem requires professional help. This man would be a difficult problem for a highly skilled therapist. No layman could reasonably expect to solve his problems.

From these examples, and the efforts made to resolve the problems,

some simple steps seem worthy of consideration:

Don't dismiss a conflict as just a personality clash. If people are in chronic disagreement, then an uncomfortable and possibly destructive situation exists not only for them but also for others, particularly subordinates.

Don't procrastinate because the problem is unpleasant. Don't expect it to solve itself. It rarely does. The opposite usually occurs. There is a tendency for the opponents to freeze in their attitudes and to marshal supporters and supporting evidence for their point of view. Solutions require, first, some way of breaking through these positions to get some of the respective feelings out in the open. The immediately responsible superior must be the third party who directs the antagonists away from attack on each other and toward constructive solutions.

Ask yourself who is being threatened and why? Can these threats be eased by an expression of the person's feelings about them, by re-

assurance, by firmness of support and direction?

Look at a changed situation to see if some need that one of the persons was able to meet in his previous situation is now no longer being met. Has a support been taken away in the process of change? Can the person recognize this loss and be helped to find new supports?

Evaluate the extent of the conflict. Has one person had difficulties for a long time and with many people? Is his problem chronic and repetitive? If so, the person is likely to require professional help.

If you are one of the parties to the clash, talk to a third party whom you can trust and whose judgment you value. See how the problem looks when you express it aloud, and how it appears in the eyes of the other person.

Finally, recognize that not all problems are soluble. Some remain, unpleasant and unwelcome, despite our best efforts. Sometimes the only solution is to accept that fact and live with it.

END

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Outlook for welfare costs: **\$19 BILLION**

Present spending of \$4 billion a year will soar if new proposals are passed

FEDERAL WELFARE SPENDING, already climbing dramatically, appears to be headed upward even more steeply in the years ahead.

A special budget study shows that outlays for welfare programs may soar from the present \$4 billion yearly to as much as \$19 billion a year by the end of this decade. This would account for about a third of the expected rise in total federal spending between now and 1970. The cost would have to come out of every taxpayer's pocket.

Defense spending, meanwhile, is likely to take a smaller share of the budget than at present. Fifty-nine cents out of every tax dollar currently goes for national security programs. Although such expenditures will go up by 1970, they will probably take only 40 cents out of each tax dollar, barring war or a marked increase in world tensions. Other projected increases are scattered throughout the budget.

The study includes a moderate projection, which assumes a continuation of the expenditure pattern we have seen in recent years, and a high projection, which is based on less resistance to increased federal spending and less concern with maintaining the status quo in federal-state relations. The difference between the two centers mainly in areas where there is controversy over the proper role of the federal government, such as education, public assistance, medical care, and public health.

The expanding role of the federal government urged in President Kennedy's proposals to Congress indicates that spending may well rise closer to the high projection than to the moderate. Conservative elements in Congress, however, will act as an anchor on rising expenditures and

help temper the Administration's spending program.

Under the high projection, welfare spending would rocket to \$15 billion in 1965 and \$19 billion in 1970. The moderate projection foresees a rise to about \$7 billion in 1965 and \$9 billion in 1970. In either case, \$2 billion of the increase would result from trends under present laws and programs.

The total budget would shoot up to \$109 billion in 1965 and nearly \$123 billion in 1970 under the high projection. The fiscal 1960 budget was \$77.2 billion. The moderate projection would produce \$89 billion in expenditures in 1965 and about \$97 billion five years later.

The projections do not include spending by the government's many trust funds—such as social security—which will grow between \$10 billion and \$15 billion during the 10-year period without any change in present law.

Only the pure welfare programs—such as public assistance, education, and public health—are included in the projected amounts. Consideration of other existing and proposed government programs which have a welfare aspect would further swell the projections. Among these would be aid to depressed areas, public housing and urban renewal, and veterans' benefits.

By far the largest and most volatile areas in the welfare field are education, public health, and public assistance, including medical care. These activities account for more than 80 per cent of the anticipated increase in the moderate spending projection and for the bulk of the difference between that and the high projection.

The magnitude of the welfare issues to be faced before 1970 is indi-

cated by the range of possible spending between the projections. The greatest range is in education, an area of continuing controversy. The cost of possible new and expanded educational programs accounts for nearly \$6 billion of the \$10 billion difference between the moderate and high projections for all welfare programs.

Approval by Congress of federal aid for teachers' salaries would cost an estimated \$5 billion yearly by 1970. Such a program was figured into the high projection but not into the moderate.

The high projection for education—nearly \$8 billion in 1970—also assumes greater federal participation in financing college facilities, with emphasis on capital grants; a federal college scholarship program; a step-up in science education programs, and a small grant program for educational television.

Under the moderate projection, federal spending for education would be \$2 billion in 1970. Most of the increase represents extensions and expansions of current programs. Principal new programs included are a general elementary and secondary school construction aid program and a college facilities and student aid program to supplement the existing assistance given for college housing.

The size of the increase which may be expected in federal aid to education is indicated by comparison of these projections with the \$600 million of federal funds spent for education in fiscal 1960.

Federal spending for public assistance—\$2.1 billion in fiscal 1960—would rise to about \$4 billion in 1970 under the moderate projection. Of the 1970 estimate, \$1 billion covers the cost of the program of medical care for the aged enacted last year by Congress and possible future liberalizations. Also included is an increase in monthly benefit payments under public assistance.

The high projection—\$6 billion in 1970—assumes further expansion of the medical care program to include low income segments of the population in addition to the aged. This would add \$1 billion to 1970 expenditures. Also included are a greater increase in the federal share for public assistance and in the maximum payments subject to federal participation, and extension of federal activity into general assistance.

Spending in the field of public health would rise from the 1960 fiscal year's \$800 million to more than \$2 billion in 1970 under the

moderate projection. The high projection would boost dollar outflow to approximately \$4 billion.

The bulk of the increase in the moderate projection is for medical research at the National Institutes of Health, where expenditures are expected to rise from \$300 million in 1960 to more than \$1 billion in 1970. The projection assumes rising outlays for hospital construction grants under the Hill-Burton program, reflecting the effect which U. S.-financed medical care for the aged would have on the demand for hospital beds. The high projection

includes a further increase in the Hill-Burton program for nursing homes and chronic disease hospitals resulting from increased demands under federal medical care.

Which of these two projections—high or moderate—will more closely represent federal spending during this decade will depend on the political factors which determine congressional action. A vital influence will be the vigor with which conservative elements resist the growing trend toward centralization of all government functions in Washington.

END



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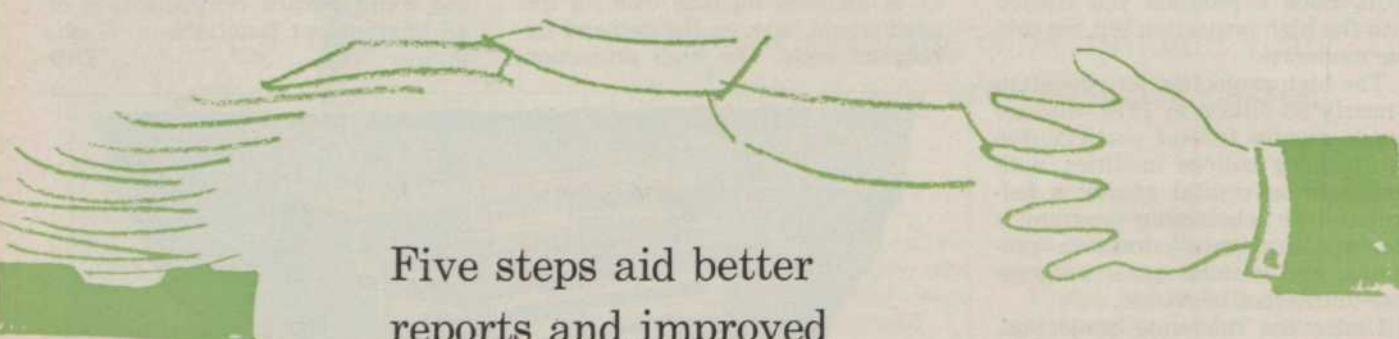
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Five steps aid better
reports and improved
management controls

WHEN COMPETITION is sharp and profits thin, the enterprise that stays ahead is one that can move quickly.

Fast, flexible action is possible only if the company knows where it stands and how fast to move.

This is why better reporting is vital. With increasing stress on decentralization, managers at all levels must make final decisions that directly affect operations and profits.

The more authority a manager is delegated, the more urgently he needs to get information quickly and in a form he can understand and act upon. He cannot afford to flounder through masses of irrelevant data. Nor has he time to run down key facts or get an interpretation from headquarters.

Five steps can help your company do a better and faster job of reporting. They are:

- ▶ Build your reports around your control system.
- ▶ Adopt a stewardship concept of reporting.
- ▶ Look to planning effectiveness.
- ▶ See that information gets where it is needed.
- ▶ Speed up the reporting process.

Build your reports around your control system

Management reports in a company are the backbone of an effective

control system. Decentralization, profit center management, diversification and growth depend directly on effective controls. Du Pont, for example, made its first moves toward diversification and decentralization some 40 years ago. It found that the more new fields it entered the more it had to funnel authority from central headquarters to the autonomous product divisions it had organized and that both processes could proceed only as far and fast as control could be maintained. Du Pont set the pattern for profit center control by giving each division manager wide authority and holding him accountable for earning a specified profit on the investment in plant, product and people he was given to manage.

Many managers do not see precisely how the management control system works and where reports fit into the picture. Consider the case of the plant manager of a midwest metal fabricating company called on the carpet by the manufacturing vice president because of his high direct labor costs. The plant manager decided his control system needed tightening. Accordingly, he held a meeting of his superintendents every Monday morning at which they reported in detail on their cost picture. While this provided him with a great deal of information, it gave neither him nor his superintendents

a basis for deciding what current costs should be. Only after the head office had helped him install labor standards and budgets was he able to get his costs back in line.

This illustrates the point that the need is not simply a reporting system. Management control involves a process of measuring and evaluating operations to ensure that they are being accomplished according to plan. Reports are only a part of this. Every manager should be expert in the skills necessary to carry out four clearly defined steps.

1. Establish performance standards. To control, we must first have a yardstick against which to measure work in progress and as it is completed. It is difficult to measure performance against position specifications or in terms of job evaluation grading systems. The logical yardstick, the only one that will measure with any precision, is based on the plans established to guide and direct the operation. Management performance standards should be based on objectives, policies, programs, schedules, procedures and budgets.

2. Provide for accurate measurement. Measurement is the process of recording and reporting work in process and completed. When we speak of measuring, we mean the quality control inspector's count of



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Sound basic planning is necessary to get accurate and quick reports



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rejects, the warehouse manager's inventory statement, the supervisor's time check and the president's profit report to the board of directors. This article deals with this one step of the control process.

3. Evaluate the results obtained.

From a management standpoint, this is done by comparing actual performance with the standard established. The easiest way to do this is to build into every report parallel statements of the performance standard and the results accomplished. Comparison of the two gives the variance.

Reports should highlight variances. This enables managers to focus their attention on exceptional matters and to disregard routine.

Variance reporting lends itself to any type of operation. It requires some means of establishing an acceptable yardstick and of reporting against this standard. If this comparison cannot be made, reports can be of little value as real cost control tools.

The field sales supervisor for a cosmetics firm, for example, for years forwarded routine reports of his sales to the district sales office. To him, the reports were a nuisance, required by top management, and of no value to him personally. A new supervisor, brought in to take his place, used the sales reported as a basis for setting targets for each salesman. He added an improvement factor, converted the sales reported against the targets into percentage figures, and proposed that his sales crews treat the high scorer to a monthly dinner.

As a direct result, his sales totals spurted by 30 per cent, while his salesmen showed new interest and aggressiveness.

4. Take corrective action.

Reports are worth while only to the extent that they motivate managers to take prompt, decisive steps to correct matters that are out of phase. The action taken may require a prompt operating command, an emergency decision, or a basic change in planning. However, the quality of the action a manager takes can never be better than the facts on which he bases it.

Adopt a stewardship concept of reporting

Reports should analyze the stewardship of accountable individuals. As used by companies such as Standard Oil Company (New Jersey), stewardship refers to the accountability of a manager for the facilities, materials and people entrusted to his care.

Stewardship reporting literally measures an individual as manager of his own business. It holds him to account for the cost of his operation, or even better, its profit or loss. This kind of reporting is often difficult because it requires that reports be based, not exclusively on bookkeeping precepts, but on concepts of management accountability. It requires that each manager be given a clear picture of the money value of his operation and the results that he is getting.

For many years, one large company maintained an extremely accurate and detailed reporting system. This gave top management over-all financial data in profusion about the results attained by the company as a whole. Unfortunately, none of the reports showed how much it cost to make the product, nor how much money an individual manager was spending or should spend. Costs gradually inched upward, seemingly impervious to top management control measures. Foremen training programs and cost-cutting campaigns yielded only mediocre results. The company was able to get its costs in hand only after it had revamped its common-pot accounting system so that each manager could be made to toe the line.

Stewardship accountability is possible only if a manager is delegated authority over money spent in his department, or on behalf of his department; otherwise he cannot be held accountable for the expenditure. It therefore follows that a stewardship report should come to focus on controllable items of expense. If expense over which the manager has little or no command is reported, these items should be listed separately.

Look to planning effectiveness

Reporting should be complete, accurate and fast. However, these end

results cannot be accomplished if we set out simply to improve the reporting system.

It is important to recognize that the quality and speed of reporting largely depend upon the soundness of the basic planning. A report tells us how well we are accomplishing the objectives, programs and budgets.

Plans are the source of reports; the more complete and accurate the plans, the easier it is to report the variances and exceptions as they occur.

If planning is sketchy and incomplete, there is likely to be an attempt to build some form of objective, program or budget into the report itself.

This usually fails, because the same report can rarely be used effectively for both planning and control.

One midwestern grocery chain, for example, was literally inundated by voluminous and detailed reports that were routed to all key managers at various times of the month. Seeking

centages, a much more meaningful analysis can be made.

See that information is placed where it is needed

Corrective action with respect to operating problems often can be initiated most effectively at lower management levels.

It is as pointless to give the president detailed information on plant burden costs as it is to feed the foreman a breakdown on general administrative expenses.

Two principles are involved here. First, as to the volume of information. The amount of data reported should be in proportion to the controllability of the expense. There is little point in reporting on disposition of money spent because there is little opportunity for corrective action. Long reports of how budget appropriations were consumed, for example, are generally useless.

Even if the volume of information is kept within bounds, there is still need to see that the data are piped to those who can do most about them. The principle here is that decision-making information should be provided to the lowest organizational level where perspective exists for sound decision. Within the framework of company policy, the department manager should have authority to make practically all decisions which affect only his department. However, if the decision reaches over into two or more departments, the authority and information necessary to make the decision should be delegated to a level sufficiently high to encompass all interests involved.

When this reporting approach is adopted it will be observable that more reports are required at foreman and superintendent level, and fewer at department level and higher. What is more, reports at lower levels will tend to go into increasing detail, while those at higher levels will deal with the broad consolidations necessary for over-all judgment.

Speed up the reporting process

In a fast-moving and competitive industry, an outdated report leaves management on the bleachers instead of in the ball game.

Barriers. How can we speed up the reporting process?

There are two major impediments. One is the desire to give managers a completely documented and detailed statement of operating and financial results. The second is to make these management control statements audit-accurate.

For purposes of control, a manager does not need a complete break-



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"There is no sound reason to accept the inevitability of the present tax system," says **Rep. Bruce Alger**, a member of tax-writing congressional committee. For his plan to cut taxes and spending, turn back to article starting on **page 31**

to minimize the flood, the company instituted a rigorous screening, with the result that more than half the reports were eliminated.

At the same time, however, the company found that it had seriously weakened its budgetary control system because the reports doubled for budget statements.

A dual-purpose report, as commonly seen, lists the accountable departments across the top, the expenses for which they are accountable down the side. This shows the reader, for example, that the eastern territory had a sales expense of \$375,000 and the western territory an expense of \$405,000. To be useful as a control device, this statement should compare the actual amount to the objective or budgeted figure. If the variances are then converted to per-

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down of each item of expense and of his sales and profit results. A control report is not a budget and should not attempt to recapitulate budget data. What the manager needs is an analysis of his accountability, with the variances highlighted so he can focus his attention immediately on areas that require action.

If management insists on management and not bookkeeping reports, accounting people can satisfy them. Many time-saving techniques become possible once the fetishes of completeness and split-cent accuracy are sidestepped. For example, many key figures can be estimated before the transactions involved are actually posted. Top management in Johnson & Johnson, for example, gets its monthly income report within five working days of the end of the month.

Closing targets. Since the reporting date is always geared to the closing date, reporting is expedited by anything done to hasten the closing of the books. Positive steps here include planning all possible preliminaries so that they are completed before the closing date. Working papers can be prepared and many accounting statements finalized before the closing figures are entered.

With a little prior planning all hands in the accounting department can focus their major effort for a few days on closing activities and let routine wait.

Handling changes. Faster reporting almost always requires changes in the accounting system so that it can better meet the requirements of management control. This is the point at which most attempts at improvement fail. Accounting systems can be modified only slowly because procedures are necessarily highly standardized, a large volume of work is handled under time pressure, and accuracy is important. When changes are required, accounting personnel should participate fully in the planning and should spearhead the effort required.

In a southern food company, for example, the president hired a specialist to install a new budgetary control system. The expert reported directly to the president. It took him six months to set up a budgetary and reporting system, but at the end of three years he still had not been able to get the accounting staff to change their procedures so his system would work effectively.

The president turned the mangled remains of the system over to the controller. Within a few months a less ambitious, but still highly effective, budgetary control system was operating.

E. J. Hanley, president, Allegheny Ludlum Steel Corporation, makes it clear that it is up to operating management to acquaint the accounting organization with the information it wants and why it is wanted. Given this background, the controller can then develop a concise, graphic and timely reporting system geared closely to management's real needs.

This does not mean that every manager can be given independent authority to collect data and report it the way he thinks best. In Varian Associates, Lockheed Aircraft, Parke-Davis, and other leading companies, responsibility for collecting information is often quite highly decentralized, but the reporting and interpreting phases are centralized in the accounting, controller's or other departments.

This helps speed up reporting, while insuring that data reported are accurate and comparable.

Electronic expeditors. Electronic equipment can be valuable in recording control information and speeding an accurate flow to higher levels in small and large companies.

However, manual record-keeping is not to be tossed out the window without carefully studying the mechanized alternative. It may be difficult to shift from one to another of the many cost-saving applications you had in mind. When it is properly installed and manned by a trained staff, however, companies such as General Electric, Thompson Ramo Wooldridge, RCA, Ford, and many others have found data-processing and related equipment potent cost-savers in process planning, scheduling, inventory, measurement, reporting and other uses.

While there is no panacea for slow, voluminous reporting, a concerted approach on all five points described can yield immediate and lasting results. If managers are to manage, they must *know*—fast and accurately—and this is the special province of an effective reporting system.

—LOUIS A. ALLEN

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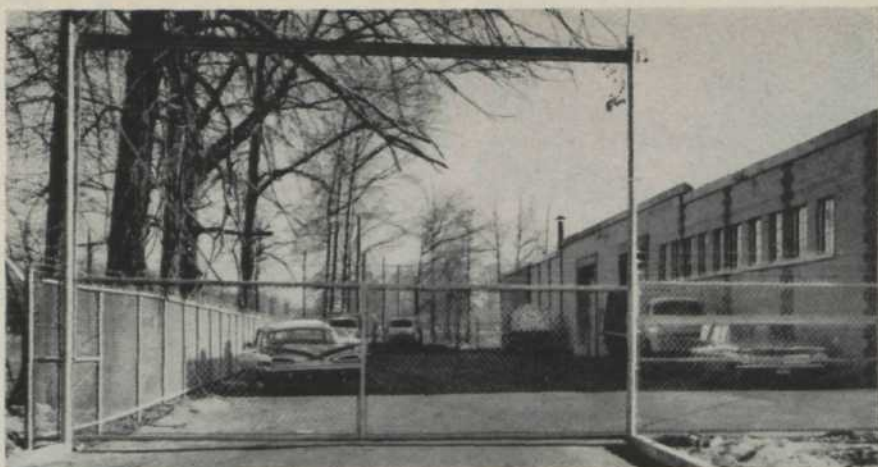
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Write for Bulletin S-2992

Distributors Everywhere

HIGHER PROFITS

continued from page 41

restricted purchases from the U. S. The firm applied its trading talents to domestic shortages.

But this phase, too, passed. The day of the seller's market was gone, both here and abroad. This group met the new situation head-on. They saw that the export flow was reversing itself—foreigners were making many lines that could be sold in the U. S. So they became importers.

Today, the company is in both exporting and importing and is still highly successful. It has proved to be almost completely recession-proof so far, because flexibility is its great forte. When buyers start looking for less expensive goods, this firm is not tied to certain price levels. It quickly shifts to cheaper lines. If the European market shows signs of tiring, the partners who handle exports concentrate on offerings for Mexico, Canada or the Far East.

But to an even greater degree than the expansionist-type company this kind of business is dependent on personal factors. The superalertness of the founders is the one real asset.

If the firm chooses to go on in its present way, it must recognize that a few men of a distinctive type are the key to its success. It must make aggressiveness and ingenuity its prime requisites in selecting executive replacements.

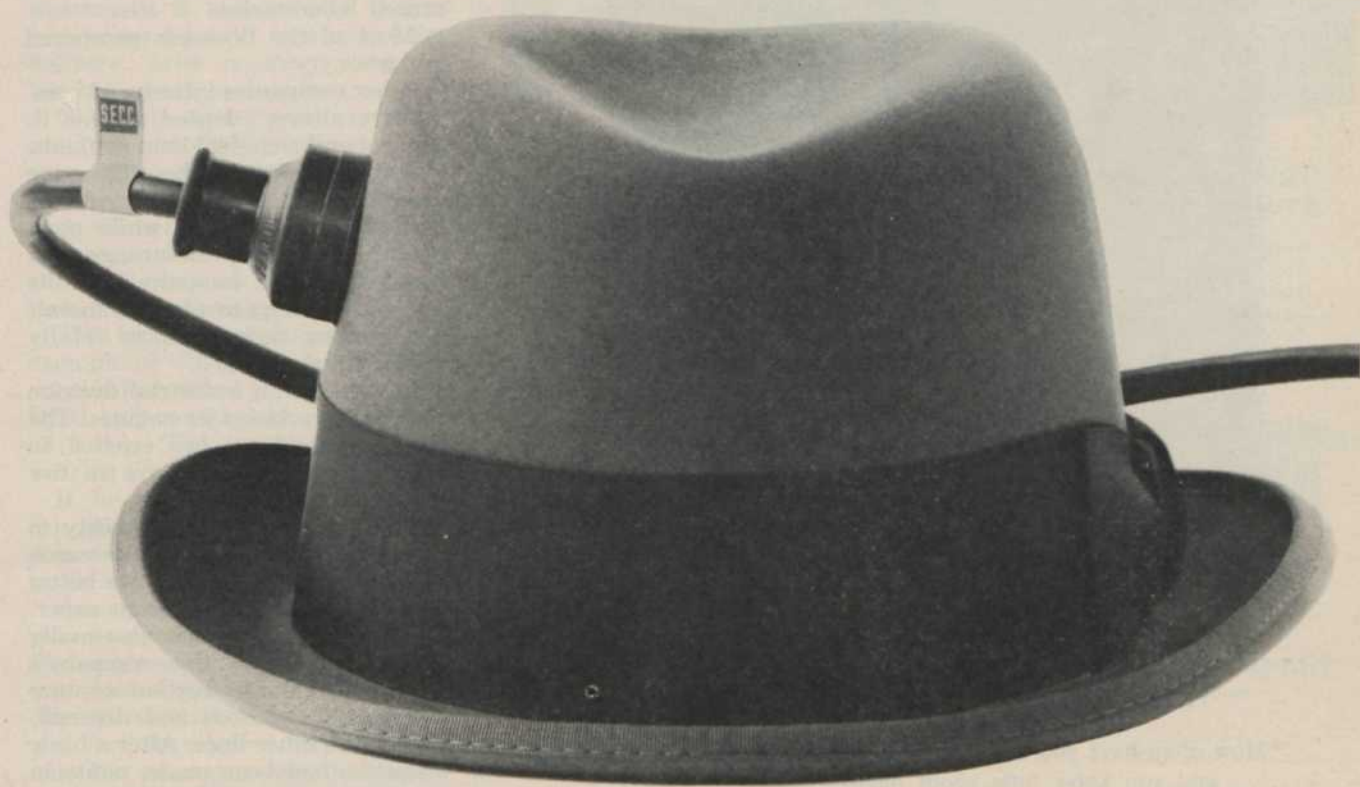
Company with a new slant

More than 30 years ago, a small company was formed to introduce a new alloy that two partners had invented as a replacement for gold in making partial dentures. Tremendous problems were encountered because the new metal had to be cast at high temperatures and with great precision.

Most dental laboratories were not equipped to handle it.

At the brink of failure, the two partners—plus a young accountant with a head for problem-solving—came up with another innovation: Instead of trying to sell their product to all comers, they would select a specific laboratory in each area and offer a license to use the alloy and its trademark. By limiting the distribution and controlling quality, they set about building a chain of licensees.

Gradually, other new services were added: steady technical help to the licensed laboratories to ensure uniform standards; prefabricated



Electricity sold this hat after everybody else had gone home

About 10:30 one night a man spotted the very blue-gray homburg he wanted in the well-lit window of Zell's department store, Manville, New Jersey. The next day he stopped back and bought it.

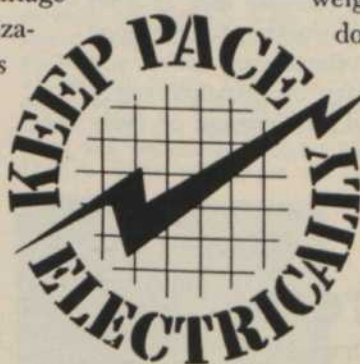
Night selling is only one advantage Zell's gained from its recent modernization. Now electricity prices and tickets the merchandise, pipes music through the store, keeps customers cool in summer — warm in winter, powers everything from cash registers to revolving displays. And steps up profits in every department.

All over the country, electricity increases efficiency, output and morale in stores, offices and plants, accelerates learning in schools and colleges.

It ties packages, types travel tickets, molds and weighs 2,100 hamburgers in just 1 hour. It does the billing and the payroll — and it powers the assembly line from receiving to shipping.

More up-to-date use of electricity can help you increase *your* business profits, too. Think about it yourself.

Better still, get expert advice — there's no obligation, of course.



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ARE YOU A MAN IN THE DARK?

"How often have you felt that important things are going on . . . and you know little about them?"

"How does your knowledge 'stack up' on what's likely to happen in your community—in education, in civic government, in health and welfare? Are you still in the dark?"

"Progressive business men are seldom in the dark. In fact, they seem to be into everything. They are always standing up and speaking up on issues that affect the community welfare."

"How about you? It's not hard to do—and besides, speaking up is part of your community responsibility."

"Here's all you do. Join and support your local Chamber of Commerce. There you can bring to light your ideas about community problems and, incidentally, find out what everyone else is thinking, too. You'll also earn new respect and recognition of your views."

"Sign up with the other progressive business men in your local Chamber of Commerce who are working for the good of business and your community. Remember, when you belong to and support your voluntary organization you're helping to encourage the growth and development of every person who has the capacity to grow."



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HIGHER PROFITS

continued

forms permitting inexperienced technicians to produce dentures quickly; syndicated advertising for the licensed laboratories.

Most of the licensees prospered and grew.

Other companies introduced competitive alloys, adopted similar licensing and technical help methods. The market share of the originating company has inevitably declined. But rather than wait while competitors erased the advantage of a head start, this company used its size and earnings to adapt its metals and casting techniques to totally different industries.

It now has an industrial division that casts parts for jet engines. The two-man company has swelled to more than 2,000 employees in five plants.

This suggests that the ability to stay ahead by means of research and innovation may produce better results than expansionism or super-alertness. But note that an equally important part of this company's progress was introduction of new commercial methods and diversification into other lines. After a basic invention had been made, nontechnical employees were largely responsible for promoting new techniques because they were as original in their thinking as the scientists who provided the first push.

Identifying with customers

A manufacturing company on the East Coast has been called by accountants and management consultants "one of the worst-run companies in the country." Its founder, who is still president, cheerfully admits that this may be true. The head office building is far too grand for the size of the company. He has been too liberal with some top executives. Fringe benefits and bonuses have usually been excessive.

Only one aspect of this company's finances is satisfactory. Its income has consistently outpaced the continuous waste. The reason is directly traceable to the company head. From the beginning, he studied each customer's business and problems.

He used to visit their plants personally, getting to know more about their needs than they knew themselves. Then he devised parts that would do exactly what the customer required.

Though he no longer makes the visits himself, the chief executive

insists that a sales engineer spend far more time with each customer than is actually needed to close sales. They must know all about the user's needs.

The follow-through is just as thorough. Quality control on each instrument is so extensive that a competitor terms it fanatical. After delivery, sales engineers keep in touch to check on results.

Obviously, this "worst run company" is really well run in the vital area of meeting customer needs. Perhaps bigger profits could have been made by good management of company finances. But success would still have stemmed, as it does now, from one major factor.

This kind of company is a classic example of what can happen if the success factor is not recognized, isolated and consciously protected as an asset. The head man is now nearing 70.

If he retires or sells the firm, the new management will properly come in with the idea of curbing profit leaks.

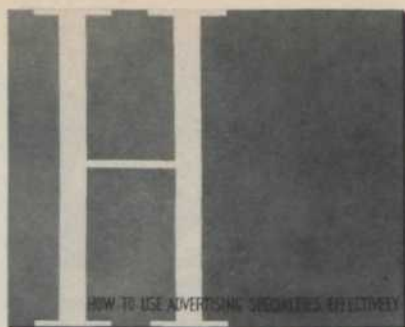
Among the things that may appear wasteful is the number of hours that engineers spend per sale or per customer. Any controller comparing the figures with industry averages will feel impelled to recommend a cut. The same may be true of quality control, service after delivery, and special research on customer problems.

Assume that the new management realizes the need for maintaining high standards; it merely acts with ordinary prudence to bring the cost down to normal proportions. Several things may begin to get out of kilter.

Normalcy may seem like shoddiness to customers who have been used to such exceptional treatment. This company may find customers casting about for other suppliers if it becomes only as good as its best competitor.

The new management may not realize that the firm's growth rate, its tremendous word-of-mouth advertising resulted from customer services that went far beyond the call of duty. They may find that expansion doesn't continue as before; they may find that the sales engineers have to spend as many hours trying to get new business as they once did on extra services; they may find that promotional and selling costs have to be stepped up to keep the orders coming.

So, in the end, good management may wind up with no more, or even less, profit than the past management did. It can wind up with more



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HIGHER PROFITS

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only if it recognizes what has made its business different and makes cost savings that don't tamper with that unique quality.

Probing your past

Your own company's success is based on at least one of the factors illustrated above. The pattern is probably less sharply defined than in the examples. There may even have been a combination of factors, though a single element usually is dominant.

The act of asking one key question—"What is the 'special genius' of our organization?"—may be the most important move you make all year. Answering it perceptively may one day prove to have been a life-and-death matter.

Once you have identified the factors that account for your firm's success, you can decide whether they can be continued or must be replaced by new ones.

The company that got ahead by being supernalert can go on doing so only if its management can maintain the same degree of aggressiveness. Success that has come from deliberate attempts to fill customer wants can be continued as long as the changing pattern of those wants is kept in sight. An organization that grew by introducing a radically new invention cannot expect to live on it forever. New product research may be a major part of its planning, but since that never has a predictable result, the company should also consider shifting into one of the other success patterns.

Pulsebeat of business

The one common denominator that runs through all four approaches to success is newness. Delving into your company's past usually turns up reasons for change. A return to old principles is usually a return to dynamic ways.

Much as we would like to find a comfortable formula for smooth-flowing progress, we find that a sort of eager restlessness is the pulsebeat of business life. The four success factors emphasized here differ in the degree of aggressiveness and immediacy they require. But they all call for constantly analyzing and acting on things as they are developing—for a willingness to meet each new year with as much adventurousness as the founder had when he started your company.

—CHARLES A. CERAMI



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THE SOFT FRONTIER

AS THE COUNTRY comes face to face with the new frontier, a surprising fact emerges.

In whatever lies ahead there seems to be little room for people.

Previous frontiers were not like that.

They depended on people for their development. In Alaska the need was for those whom Robert Service described as "strong for the red rage of battle; sane, for I harry them sore."

The West was settled by a hardy breed who believed that the promises of the new land justified the perils and privations that must be met to make them come true. Leaving safety and comfort behind, they dared to take the future into their own hands. From government they asked and got only the assurance that the land would be theirs when they had proved themselves strong enough to hold it.

The individual's faith in his own sinew and toughness paid off in a spectacular national growth rate and an increasing gross national product—although the people responsible were not concerned with the one and had never heard of the other.

Spurred by the private purpose of a better life, the pioneers necessarily advanced the national purpose of geographic and economic expansion.

Now as we prepare to probe the new frontier, the spur of private purpose is considerably blunted. Emphasis is on national purpose and social capital. Boldness and imagination will come from government, not from people. Government presumes to know the individual's problem and proposes to solve it for him.

Today it says he needs help to educate his children, modernize his cities, comfort his old age. When these hardships are eased, it will undoubtedly find others from which to free him.

The individual, then, is invited to march into this soft frontier, his hand warm in the stronger hand of government, his feet on the road to growth.

If some hold back it is not because they disagree with the intended ideals or would place unnecessary burdens on the unfortunate.

It is simply because they know that governments can also lose their way. The easy path which seems to lead to the good life too frequently ends in the quicksands of deficit spending and inflation.

The dangers of the old frontiers were known, or at least anticipated. Even so, many who dared to face them did not survive. Because they ventured as individuals, their failure, though tragic, was not disastrous. Other individuals succeeded, so the nation grew and prospered.

The new, soft frontier would leave no such room for individual effort. Once this wagon train starts, we will all be in it together. The trail seems to lead to the welfare state, to centralized government, to a lesser reliance on private planning and initiative. It is marked by the bleached bones of nations which went this way to their sorrow.

Which raises the question: "Is this really a new frontier or merely a renaming of old and dangerous ideas?"

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